

# SEPARATOR SHEET



THOMAS LOCKER (HOLDINGS) PLC

Co No 413900

LISTING PARTICULARS.



This document reflects a transaction which has not yet occurred, namely completion of the acquisition by Thomas Locker (Holdings) plc of Pentre (Holdings) Limited which is subject to the approval of shareholders of Thomas Locker (Holdings) plc at an Extraordinary General Meeting to be held on 10 January 1996.

The Directors and Proposed Directors of Thomas Locker (Holdings) plc, whose names appear under "Directors, Secretary and Advisers" on page 4 in this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and Proposed Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.



(Incorporated in England under the Companies Act 1929 - No 431900)

## Share capital immediately following the Acquisition

At the close of business on 24 November 1995 the Enlarged Group had cash and bank balances totalling £2,760,000. Amounts in foreign currencies have been translated into sterling at the appropriate rate of exchange ruling at the close of business on 24 November 1995.

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**DEFINITIONS**

Save where the context otherwise requires, the following definitions apply throughout this document:

<b>Acquisition</b>	the acquisition by the Company of the entire issued ordinary share and preferred ordinary share capital of Pentre
<b>Acquisition Agreement</b>	the conditional agreement dated 20 December 1995 between the Vendors and the Company setting out the terms of the Acquisition, a summary of which is set out in paragraph 9(a)(iii) of Part VII of this document
<b>Act</b>	the Companies Act 1985 (as amended)
<b>Admission</b>	admission to the Official List of the entire share capital of the Company, issued and to be issued pursuant to the Acquisition
<b>Company or Thomas Locker</b>	Thomas Locker (Holdings) plc
<b>Directors or Board</b>	the present directors of the Company, whose names appear on page 4 of this document
<b>ECI</b>	ECI Capital Partners, ECI Capital Partners "B", ECI Developments 2 and ECI Eurofund, acting by their general partner ECI Ventures GP Limited
<b>Enlarged Group</b>	the Company and its subsidiaries, following completion of the Acquisition
<b>FSA</b>	the Financial Services Act 1986
<b>Locker Group</b>	the Company and its subsidiaries, before completion of the Acquisition
<b>Henry Cooke</b>	Henry Cooke Corporate Finance Ltd
<b>Industrial Reels</b>	IR Holdings Limited and its subsidiary
<b>London Stock Exchange</b>	London Stock Exchange Limited
<b>New Ordinary Shares</b>	the new Ordinary Shares to be issued as consideration for the Acquisition
<b>New "A" Ordinary Shares</b>	the new "A" Ordinary Shares to be issued as consideration for the Acquisition
<b>Official List</b>	the Official List of the London Stock Exchange
<b>Ordinary Shares</b>	ordinary shares of 5p each in the capital of the Company
<b>"A" Ordinary Shares</b>	"A" non-voting ordinary shares of 5p each in the capital of the Company
<b>Pentre</b>	Pentre (Holdings) Limited
<b>Pentre Group</b>	Pentre and its subsidiaries
<b>Proposed Directors</b>	Philip Gartside, Michael Seymour and Alex Watson, the proposed directors of the Company
<b>Vendors</b>	the shareholders of Pentre prior to the Acquisition, whose names are set out in paragraph 9(a)(iii) of Part VII

**DIRECTORS, SECRETARY AND ADVISERS*****Directors***

James Peter Douglas (Chairman)  
Harrison Blair (Managing Director, Europe)  
David Christopher Barr (Finance Director)  
Anthony Philip Baker\*

***Proposed Directors***

Philip Andrew Gartside (Chief Executive)  
Michael Frederick Seymour (Group Managing Director)  
Alexander Ernest Watson\*

\* Non-executive

all of:

Church Street  
Warrington  
Cheshire WA1 2SU

***Secretary***

David Christopher Barr CA

***Sponsor and broker to the Company***

Henry Cooke Corporate Finance Ltd  
No.1 King Street  
Manchester M2 6AW

***Reporting Accountants on  
Pentre Group and Joint  
Auditors to the Company***

Coopers & Lybrand  
Richmond House  
1 Rumford Place  
Liverpool L3 9QS

***Joint Auditors to the  
Company***

Tunstall & Co  
Arundel House  
12 Rylands Street  
Warrington WA1 1HR

***Reporting Accountants on  
Industrial Reels***

Solomon Hare  
Oakfield House  
Oakfield Grove  
Clifton  
Bristol BS8 2BN

***Solicitors to the Company***

Slater Heelis  
71 Princess Street  
Manchester M2 4HL

***Principal Bankers***

Barclays Bank plc  
25 Sankey Street  
Warrington WA1 1DX

National Westminster Bank plc  
5 Winwick Street  
Warrington WA1 1XH

***Registrars and Transfer  
Office***

Barclays Registrars  
Bourne House  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

**PART I****INFORMATION ON THE ENLARGED GROUP****1. Introduction**

Following the acquisition of Pentre in January 1996, the Enlarged Group will be involved principally in the manufacture and supply of reels and drums for wire and cable, material processing equipment and filtration equipment, and in wire conversion and metal forming. Due to the size of the Acquisition, dealings in the Company's Ordinary and "A" Ordinary Shares have been suspended and the Board is required to seek the approval of the Company's Ordinary Shareholders for the Acquisition and to publish listing particulars relating to the Enlarged Group.

The consideration for the Acquisition consists of the issue to the Vendors of 8,622,547 New Ordinary Shares and 25,867,641 New "A" Ordinary Shares. On the basis of the mid-market prices of the Company's Ordinary Shares and "A" Ordinary Shares at the close of business on 18 December 1995 as extracted from the Daily Official List of the London Stock Exchange, the consideration amounts to approximately £7.5 million.

**2. Information on Thomas Locker*****Background***

The original business was established on its present site in Church Street, Warrington, in the 1870s and was incorporated in 1947. Since then the Locker Group has grown both organically and by acquisition and now has interests in the UK, South Africa, Australia, Belgium and the USA.

Activities have been expanded from the original wire weaving operation and the Locker Group now has three main manufacturing business areas:

- machinery for the screening, conveying, processing and general handling of materials;
- air filtration equipment; and
- woven wire and perforated metals.

***The Business***

The activities of the Locker Group are organised on a subsidiary basis under the control of Thomas Locker.

*Locker Industries Limited and Locker Wire Weavers Limited* are based on the Church Street, Warrington site adjacent to the Locker Group head office.

*Locker Industries Limited* employs some 92 people and manufactures a range of material processing equipment, including screening, conveying and feeding equipment for use in a wide range of industries including food, chemical, pharmaceutical, extractive and waste recycling. It also offers a spares and maintenance service. In addition, *Locker Industries Limited* produces a range of radiant heat shields for the offshore oil industry.

*Locker Wire Weavers Limited* employs approximately 77 people in two divisions. *Lockerweave* manufactures woven wire in roll form and related products such as screens. *Lockertex* produces a range of synthetic fabric screens and filter bags.

*Locker Air-Maze Limited*, based on a second site in Warrington, employs about 157 people and manufactures a wide range of air filters, mainly under licence from Air-Maze Corporation.

There are two main product groups. The first consists of air filter systems for the diesel and gas turbine power generation market, principally overseas. The second consists of intake air filters for agricultural vehicles and compressors supplied to both original equipment manufacturers and the replacement market.

Locker Air-Maze Limited is 60% owned by Thomas Locker and 40% by Air-Maze Corporation of Ohio, USA. Thomas Locker also has a 31% stake in Air-Maze Corporation.

*Thomas Locker SA* is based in Belgium, employs about 50 people and manufactures a similar range of material processing equipment to Locker Industries Limited.

*Lockers Pty Limited* and its subsidiary, based in Australia, employs some 90 people and manufactures material processing equipment together with a wide range of perforated metal and wire products.

*Lockers Engineers S.A. (Pty) Limited*, based in South Africa, employs approximately 81 people and manufactures material processing equipment and perforated metal products.

There are three associated companies in which the Company holds an interest.

*Air-Maze Corporation*, in which the Company has a 31% interest, manufactures air and liquid filters for industrial, aviation, compressor and off-highway applications and has plants in Ohio, Tennessee and California.

*Begg, Cousland Holdings Limited*, based in Glasgow, in which the Company has a 45% interest, designs and manufactures filtration systems for the separation of mist and fumes from gases in the chemical and process industries.

*Locker Asia Co. Ltd.*, based in Thailand, in which Locker Group has a 40% interest, manufactures heavy woven wire screens. This interest is not consolidated in the Locker Group accounts as there are severe long term restrictions in place over the ability of the Locker Group to exercise control or exert significant influence. The Company is currently negotiating for the disposal of this interest.

### **3. Information on Pentre**

#### ***Background***

Pentre Group's principal activity is the manufacture and supply of reels and drums and specialised machinery to the international wire and cable industry. An outstanding feature is its ability to offer an extensive range of reel and drum options to wire and cable producers, covering both process reels, which are used in the process of manufacturing wire and cable, and packaging and transportation reel and drum applications, using a variety of materials.

Pentre is the holding company of Pentre Group. Its immediate subsidiary, Pentre Group Limited, was used in November 1988 as the vehicle for the acquisition of two privately owned reel and drum companies and a specialised machinery business. This was followed in August 1989 by the acquisition of *Hearl Heaton and Sons Limited*, a privately owned process reel manufacturer with an international reputation and customer base.

Up until 1992, Pentre Group had mainly supplied steel and plastic process reels together with large steel drums for use in the transportation of heavy duty wire and cable. In October 1992, it made its next major acquisition, a plywood and cardboard reel manufacturing business based in Leigh, purchased from *Sonoco Reels Limited*. This acquisition broadened Pentre Group's product range and enabled the group to enter the United Kingdom packaging reel sector with a large market share.

In March 1993, Pentre Group acquired Heas A/S, a privately owned Danish company which supplies process reels mainly into the northern European market and steel drums for the wire and cable industry in Scandinavia. This acquisition consolidated Pentre Group's position as a major international supplier of process reels and opened up the northern European market to its other products manufactured in the United Kingdom.

In September 1993, Pentre Group purchased from Henry Sutcliffe Limited, the assets and business of a timber drum manufacturer serving the cable industry in the north west of England enabling the group to gain a substantial foothold in the United Kingdom timber drum market. This acquisition was followed in July 1994 by the purchase of a majority shareholding in Siipola OY, the largest manufacturer of timber drums in Finland. This increased Pentre Group's manufacturing capacity in packaging reels and its ability to source raw materials. The remaining shares in the Finnish company were purchased in November 1995.

In August 1995, Pentre Group purchased Industrial Reels, a privately owned plastic reel manufacturer with injection moulding facilities.

These acquisitions enable Pentre Group to supply its customers with an extensive range of reels and drums in steel, timber, cardboard and plastic.

### ***The Business***

The activities of Pentre Group are organised as follows:

*Pentre Engineering Limited* employs approximately 165 people including Pentre Group's engineering design team and operates from three sites at Bold, near Warrington, at Nottingham and at Liversedge, West Yorkshire. The Bold factory manufactures specialist steel drums between 1.6 metres and 10 metres in diameter together with a range of ancillary equipment, which are used primarily in the transportation of wire rope, high voltage cables and umbilical hoses. The Nottingham facility produces lightweight steel reels. The Hearl Heaton range of precision process reels is manufactured at Liversedge.

*Heas A/S*, based in Denmark, employs approximately 65 people and manufactures steel process reels and drums.

The process reel and drum products manufactured by Pentre Engineering Limited and Heas A/S are sold to wire and cable producers in North and South America, Europe, the Far East, Africa and Australasia.

*Pentre Reels Limited* employs approximately 170 people and operates from two sites at Leigh and Knowsley, manufacturing timber, plywood and cardboard reels for the packaging of wire cable and other linear wound products.

*Pentre-Siipola OY*, based in northern Finland, employs approximately 50 people and manufactures timber drums and plywood reels for similar applications.

The market for reels and drums manufactured by Pentre Reels Limited and Pentre-Siipola OY is centred on the United Kingdom and Finland with some international sales. Competition in these markets mainly comes from local suppliers of similar products.

*Meltech-Larmuth Limited*, based in Blackburn, employs approximately 25 people and designs and manufactures winding equipment and other specialist machinery for the processing of wire and cable and other linear wound products. Its main customers are based in the United Kingdom and North America.



*Industrial Reels*, based in Wigan, employs approximately 75 people and manufactures plastic reels for the wire and cable industry and provides an injection moulding service. Non-reel plastic injection moulding products are sold in the United Kingdom to customers manufacturing consumable and industrial products.

#### 4. Directors and employees

##### *Executive Directors*

**Peter Douglas** (Chairman), aged 68, joined Locker Group in 1961 after a career in the Royal Air Force. He was appointed to the Board in 1964, became Joint Managing Director in 1969, Chief Executive in 1994 and Chairman in July 1995.

**Harry Blair** (Managing Director, Europe), aged 61, is responsible for Locker Group's operating units in Warrington and Belgium. He joined the Locker Group in 1980, initially as Managing Director of Locker Air-Maze Limited, and was appointed to the Board in 1987. He previously spent nine years with a major UK engineering group as an Executive Director of two of its principal subsidiaries.

**David Barr** (Finance Director), aged 61, has had a career in professional accountancy and information systems, starting in ICI. Following a period as a senior lecturer in data processing at a College of Technology he was a member of a consulting and computer bureau company. He joined Locker Group as Financial Controller of Locker Air-Maze Limited in 1979. He subsequently became group Company Secretary in 1985 and joined the Board as Finance Director in November 1994.

**Philip Gartside** (Chief Executive), aged 43, is a founder director and shareholder of Pentre. He was the Chairman of Pentre with primary responsibility for business development. He has worked in manufacturing industry throughout his career and has held senior management positions in major UK subsidiaries of listed companies in the engineering sector, where he was responsible for both operations and business development.

**Michael Seymour** (Group Managing Director), aged 48, was also a founder director and shareholder of Pentre. He was Managing Director of Pentre with responsibility for day to day operations, including the integration of newly acquired businesses. He has held senior management positions over the last 15 years in manufacturing industry.

##### *Non-executive Directors*

**Tony Baker** aged 66, had a long career in professional accountancy and joined the Board as a non executive director, representing a large family shareholding, in 1973. He is resigning from the Board on completion of the Acquisition.

**Alex Watson** aged 58, has been a non-executive director of Pentre since September 1993 and is also a non-executive director of Applied Distribution Group plc and of two private companies manufacturing printed paper and plastic products. He acts as adviser to a number of industrial consultancy groups in North America and Europe, is Vice President and Honorary Fellow of the Institute of Packaging UK, a Fellow of the Institute of Personnel Development and of the Royal Society of Arts and is a past member of the Council of the CBI.

He spent over twenty years with Metal Box, being appointed a director of MB Group plc in 1986 and, following the merger of packaging interests with those of Carnaud SA in 1989, Managing Director of the joint venture company, CMB Packaging SA. More recently he was Senior Vice President of Sonoco Products Company and for two years until August 1995, President and Chief Executive of Chep in Europe, the GKN/Brambles international pallet and container leasing joint venture.

**Senior management**

**Peter Dallow** aged 47, Managing Director of Locker Air-Maze Limited, is a Chartered Engineer and a member of the Institute of Electrical Engineers. Previously he spent 18 years with GEC in power generation. He joined Locker Group in 1989 from Parker Hannifin UK, a well known manufacturer of hydraulic and filtration equipment, where he was involved in engineering management.

**Jeremy Ellis** aged 33, is General Manager of the Knowsley facility and has an MBA from Manchester Metropolitan University. He joined Pentre Group in 1994 to rationalise and integrate the timber drum operations which he now runs.

**John Gregory** aged 44, is the General Manager of the Hearl Heaton operation based at Liversedge. Prior to joining Pentre Group in 1991 he trained as an engineer and worked in the cable manufacturing industry for 13 years.

**Andrew Hardy** aged 50, is a Chartered Accountant with experience in the profession prior to joining Locker Group in 1973 as Financial Accountant. He became Group Accountant in 1984.

**Mogens Jensen** aged 37, is a Danish national with an engineering degree and an MBA from IMD, Switzerland. He was employed by Heas A/S prior to its acquisition by Pentre Group and is responsible for developing and integrating the operations in Scandinavia. He also has responsibilities for sales development in Scandinavia and central Europe.

**Max Kerley** aged 55, has been Managing Director of Lockers Pty Limited since 1987. He joined the company in 1959 as assistant accountant. Between 1963 and 1987 his experience covered all aspects of the organisation from sales to finance. He is a member of the Australian Society of Accountants.

**Alfred Lowey-Ball** aged 53, nationality Dutch/American. He joined Locker Group as Director and General Manager of Thomas Locker SA in 1994 following experience with multinational companies in both the USA and Europe. He has a B.Sc in Chemical Engineering from Rice University, Houston, and an MBA from Wharton Graduate School University of Pennsylvania.

**Alex McGlashan** aged 58, has been with Pentre Group since 1988 and is the General Manager of Meltech-Larmuth Ltd. He is an engineer by training with over 27 years' experience in the manufacture of specialised machinery for the wire industry.

**Howard Platt** aged 40, is a Fellow of the Chartered Institute of Certified Accountants and has been the Finance Director and Company Secretary of Pentre for the last six years. His responsibilities include financial reporting and treasury management.

**Alan Rogers** aged 50, is the General Manager of the Bold and Nottingham operations and has been employed in Pentre Group since 1989. He is an experienced manager in the engineering industry and has been instrumental in developing the manufacturing and technical skills within Pentre Group.

**Paul Tickle** aged 40, a member of the Institute of Packaging, is the Sales Development Manager for Pentre Group and has been employed in a sales capacity since joining in 1990, having previously gained 11 years' experience in the wire industry prior to joining Pentre Group.

**Tony Webber** aged 42, joined Lockers Engineers S.A. (Pty) Limited as General Manager Engineering in 1990 and became Managing Director in 1994. He is a Registered Certificated

Engineer and holds a B.Comm (Hons) degree from the University of South Africa. His previous experience was with well known South African engineering companies in production, sales and general management.

Derek Wright aged 56, is the General Manager of the Leigh facility and prior to joining Pentre Group in April 1995 he worked for BICC for 27 years in commercial operations, having previously trained as an engineer.

#### *Corporate governance*

The Company is developing appropriate measures to ensure that the Enlarged Group will, as far as possible having regard to its size, be able to comply with the Code of Best Practice, however, the Enlarged Group will still not comply fully. Following the Acquisition, there will be one independent non-executive director and the Board will separate the roles of Chairman and Chief Executive. The directors of the Enlarged Group intend, as early as can be conveniently arranged following completion of the Acquisition, to appoint a further independent non-executive director.

The Board has established both an Audit Committee and a Remuneration Committee, with formally delegated duties and responsibilities. Following the Acquisition, each will comprise the Company's non-executive director as chairman, together with the Enlarged Group's Chairman and Chief Executive. Following the appointment of a further independent non-executive director, it is intended that the Audit and Remuneration Committees will each comprise the two independent non-executive directors and the Chairman of the Enlarged Group.

The Audit Committee will receive and review reports from management and the Enlarged Group's auditors relating to the interim results and annual accounts and the accounting and internal control systems in use throughout the Enlarged Group. The Audit Committee will have unrestricted access to the Enlarged Group's auditors.

The Remuneration Committee reviews the scale and structure of the executive directors' remuneration and the terms of their service contracts.

**5. Financial record**

The following is a summary of the results of Locker Group and has been extracted from the Financial Information set out in Part II of this document. Investors should read the whole of Part II and not just rely on the summarised information:

	Year ended 31 March			Six months ended 30 September
	1993	1994	1995	1995
	£'000	£'000	£'000	£'000
<b>Turnover:</b>				
Continuing operations	29,705	27,361	30,462	16,483
Discontinued operations	7,910	7,059	—	—
	<u>37,615</u>	<u>34,420</u>	<u>30,462</u>	<u>16,483</u>
<b>Operating profit/(loss):</b>				
Continuing operations (see note)	704	(304)	412	670
Discontinued operations	(391)	(365)	—	—
	<u>313</u>	<u>(669)</u>	<u>412</u>	<u>670</u>
<b>Share of results of associated undertakings</b>	292	(82)	31	70
<b>Interest</b>	(184)	(82)	7	8
	<u>421</u>	<u>(833)</u>	<u>450</u>	<u>748</u>
<b>Provision for loss on disposals of discontinued operations</b>	—	(2,600)	—	—
<b>Profit/(loss) before taxation</b>	<u>421</u>	<u>(3,433)</u>	<u>450</u>	<u>748</u>

*Note: The operating results of continuing operations are stated after charging exceptional items of £202,000, £596,000 and £450,000 in the years ended 31 March 1993, 1994 and 1995 respectively.*

The following is a summary of the results of Pentre Group which has been extracted from the Accountants' Report set out in Part III of this document. Investors should read the whole of Part III and not just rely on the summarised information:

	Year ended 31 December			Nine months ended 30 September
	1992	1993	1994	1995
	£'000	£'000	£'000	£'000
<b>Turnover:</b>				
Operations continuing throughout period	5,299	6,522	8,324	6,886
Acquisitions during period (see note)	1,079	8,619	12,518	13,819
	<u>6,378</u>	<u>15,141</u>	<u>20,842</u>	<u>20,705</u>
<b>Operating profit:</b>				
Operations continuing throughout period	156	108	241	380
Acquisitions during period (see note)	112	800	645	1,321
	<u>268</u>	<u>908</u>	<u>886</u>	<u>1,701</u>
<b>Interest</b>	(239)	(414)	(528)	(509)
<b>Profit on ordinary activities before taxation</b>	<u>29</u>	<u>494</u>	<u>358</u>	<u>1,192</u>

*Note: Represents turnover and operating profit of acquired operations in both the period of acquisition and in subsequent periods.*

Due to the relative size of Industrial Reels to Thomas Locker and Pentre, an Accountants' Report on Industrial Reels is set out in Part IV of this document. The following is a summary of the results of Industrial Reels which has been extracted from that report. Investors should read the whole of Part IV and not just rely on the summarised information:

	Year ended 31 March			Period to
	1993	1994	1995	4 August
	£'000	£'000	£'000	1995
				£'000
Turnover	<u>4,072</u>	<u>4,992</u>	<u>5,371</u>	<u>1,589</u>
Operating profit/(loss) before non recurring directors' emoluments	<u>127</u>	<u>210</u>	<u>463</u>	<u>(66)</u>

## 6. Current trading

The Directors announced the unaudited interim results of Thomas Locker for the six months ended 30 September 1995 on 23 November 1995. The statement, which is set out in full in Part II of this document, showed that Locker Group made a profit before taxation of £748,000, (1994: £104,000).

Pentre Group has continued to make good progress in 1995 with the consolidation and continued expansion of the existing businesses. Its audited results for the nine months ended 30 September 1995 which are included in Part III of this document show the full effects of the acquisitions made in 1994. On the basis of the assumptions set out in Part V and in the absence of unforeseen circumstances, the directors of Pentre forecast that the profit on ordinary activities before taxation of Pentre Group for the year ending 31 December 1995 will be not less than £1.23 million. Pentre Group normally experiences a lower rate of profitability in the final quarter of its financial year due to a seasonal reduction in activity among its customers and the unpredictable timing of delivery of individual orders around the year end. The full financial impact of the acquisition of Industrial Reels, completed on 4 August 1995, will not be felt until 1996.

Since 30 September 1995, Pentre Group has acquired the minority interest in its Finnish subsidiary, disclosed in the audited consolidated balance sheet at 30 September 1995 at £633,000, for a cash consideration equivalent to £200,000 at completion.

## 7. Future prospects

In future, the Enlarged Group will make up its accounts to 31 March. The accounts for the year to 31 March 1996 will include approximately 11 weeks of trading results from Pentre Group. The following financial year will incorporate a full year's contribution from Pentre Group, including Industrial Reels.

The Directors and the Proposed Directors view the immediate future with confidence and believe that over the longer term the Acquisition offers the Enlarged Group, with its broadened manufacturing base, the opportunity to expand its share of international markets.

**PART II****FINANCIAL INFORMATION ON LOCKER GROUP****1. Introduction**

The financial record of Thomas Locker covering the three financial years ended 31 March 1995 is set out in paragraphs 2 to 7 below. The interim statement of Thomas Locker, including the unaudited interim results for the six months ended 30 September 1995 is set out in paragraph 8 below.

The financial information set out in paragraphs 2 to 7 below has been extracted, without material adjustment, from the published audited consolidated accounts of Thomas Locker for each of the three financial years ended 31 March 1995, save that the additional information required by Financial Reporting Statement No 3 ("Reporting Financial Performance") has been included for the year ended 31 March 1993.

**2. Consolidated profit and loss accounts**

**Year ended 31 March 1993**

	Notes	Continuing operations £'000	Discontinued operations £'000	Exceptional items £'000	Total £'000
<b>Turnover</b>	2	29,705	7,910	—	37,615
<b>Cost of sales</b>		(20,216)	(6,256)	—	(26,472)
<b>Gross profit</b>		9,489	1,654	—	11,143
<b>Other operating expenses</b>	3	(8,583)	(2,045)	(202)	(10,830)
<b>Operating profit/(loss)</b>		906	—	(202)	704
<b>Continuing operations</b>		—	(391)	—	(391)
<b>Discontinued operations</b>		906	(391)	(202)	313
<b>Share of profit less losses of associated undertakings</b>		292	—	—	292
<b>Interest</b>	5	(78)	(106)	—	(184)
<b>Profit/(loss) on ordinary activities before tax</b>		1,120	(497)	(202)	421
<b>Taxation</b>	7	(611)	176	66	(369)
<b>Profit/(loss) on ordinary activities after tax</b>		509	(321)	(136)	52
<b>Minority interests</b>		114	—	—	114
<b>Profit/(loss) attributable to members of holding company</b>	8	623	(321)	(136)	166
<b>Dividends</b>	9	(400)	—	—	(400)
<b>Retained profit/(loss) for year</b>	21	223	(321)	(136)	(234)
<b>Earnings per share</b>	10				0.42p

**Year ended 31 March 1994**

	Notes	Continuing operations £'000	Discontinued operations £'000	Exceptional items £'000	Total £'000
<b>Turnover</b>	2	27,361	7,059	—	34,420
<b>Cost of sales</b>		(19,119)	(5,504)	—	(24,623)
<b>Gross profit</b>		8,242	1,555	—	9,797
<b>Other operating expenses</b>	3	(7,950)	(1,920)	(596)	(10,466)
<b>Operating profit/(loss)</b>		292	—	(596)	(304)
Continuing operations		—	(365)	—	(365)
Discontinued operations		292	(365)	(596)	(669)
<b>Share of profit less losses of associated undertakings</b>		(82)	—	—	(82)
<b>Losses on sale of operations</b>	4	—	—	(2,600)	(2,600)
<b>Interest</b>	5	15	(97)	—	(82)
<b>Profit/(loss) on ordinary activities before tax</b>		225	(462)	(3,196)	(3,433)
<b>Taxation</b>	7	(343)	112	33	(198)
<b>Loss on ordinary activities after tax</b>		(118)	(350)	(3,163)	(3,631)
<b>Minority interests</b>		76	—	—	76
<b>Loss attributable to members of holding company</b>	8	(42)	(350)	(3,163)	(3,555)
<b>Dividends</b>	9	(160)	—	—	(160)
<b>Retained loss for year</b>	21	(202)	(350)	(3,163)	(3,715)
<b>Loss per share</b>	10				(8.89p)

**Year ended 31 March 1995**

	Notes	Continuing operations £'000	Exceptional items £'000	Total £'000
Turnover	2	30,462	—	30,462
Cost of sales		(21,091)	—	(21,091)
Gross profit		9,371	—	9,371
Other operating expenses	3	(8,509)	(450)	(8,959)
Operating profit/(loss) - continuing operations		862	(450)	412
Share of profit less losses of associated undertakings		31	—	31
Interest	5	7	—	7
Profit/(loss) on ordinary activities before tax		900	(450)	450
Taxation	7	(356)	121	(235)
Profit/(loss) on ordinary activities after tax		544	(329)	215
Minority interests		(23)	—	(23)
Profit/(loss) attributable to members of holding company	8	521	(329)	192
Dividends	9	(180)	—	(180)
Retained profit/(loss) for year	21	341	(329)	12
Earnings per share	10	—	—	0.48p

**3. Statements of total recognised gains and losses**

	Year ended 31 March		
	1993 £'000	1994 £'000	1995 £'000
Profit/(loss) for the financial year	166	(3,555)	192
Unrealised surplus on revaluation of property	895	—	—
Gain/(loss) on change in shareholdings in associated undertakings	22	58	(24)
Goodwill previously written off	—	92	—
Currency translation difference on foreign currency net assets	591	(21)	(130)
Other recognised gains and losses relating to the year (note 26)	1,508	129	(154)
Total recognised gains and losses relating to the year	1,674	(3,426)	38



#### 4. Note of historical cost profits and losses

	Year ended 31 March		
	1993 £'000	1994 £'000	1995 £'000
Reported profit/(loss) on ordinary activities before taxation	421	(3,433)	450
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	(14)	23	22
Historical cost profit/(loss) on ordinary activities before taxation	<u>407</u>	<u>(3,410)</u>	<u>472</u>
Historical cost profit/(loss) for the year retained after taxation, minority interests and dividends	<u>(248)</u>	<u>(3,692)</u>	<u>34</u>

#### 5. Consolidated balance sheets

	Notes	At 31 March		
		1993 £'000	1994 £'000	1995 £'000
<b>Fixed assets</b>				
Tangible assets	11	11,109	9,688	8,219
Investments	12	<u>1,391</u>	<u>1,366</u>	<u>1,189</u>
		<u>12,500</u>	<u>11,054</u>	<u>9,408</u>
<b>Current assets</b>				
Stocks	13	5,383	5,158	4,831
Debtors	14	8,081	7,976	7,748
Cash at bank and in hand		<u>3,084</u>	<u>2,856</u>	<u>2,830</u>
		<u>16,548</u>	<u>15,990</u>	<u>15,409</u>
<b>Creditors: amounts falling due within one year</b>	18	<u>(8,160)</u>	<u>(8,151)</u>	<u>(8,513)</u>
<b>Net current assets</b>		<u>8,338</u>	<u>7,839</u>	<u>6,896</u>
<b>Total assets less current liabilities</b>		<u>20,888</u>	<u>18,893</u>	<u>16,304</u>
<b>Creditors: amounts falling due after more than one year</b>	18	<u>(1,306)</u>	<u>(289)</u>	<u>(22)</u>
<b>Provisions for liabilities and charges</b>	19	<u>(1,131)</u>	<u>(3,829)</u>	<u>(1,635)</u>
<b>Net assets</b>	2	<u>18,451</u>	<u>14,775</u>	<u>14,647</u>
<b>Capital and reserves</b>				
Called up share capital	20	2,000	2,000	2,000
Revaluation reserve	21	3,056	3,021	2,910
Other reserves	21	541	602	600
Profit and loss account	21	<u>12,459</u>	<u>8,847</u>	<u>8,818</u>
<b>Equity shareholders' funds</b>	26	<u>18,056</u>	<u>14,470</u>	<u>14,328</u>
<b>Equity minority interests</b>	27	<u>395</u>	<u>305</u>	<u>319</u>
		<u>18,451</u>	<u>14,775</u>	<u>14,647</u>

## 6. Consolidated cash flow statements

	Notes	Year ended 31 March		
		1993 £'000	1994 £'000	1995 £'000
<b>Net cash flow from operating activities</b>		<b>2,520</b>	<b>566</b>	<b>454</b>
<b>Net cash flow from discontinued operating activities</b>		<b>—</b>	<b>16</b>	<b>(290)</b>
<b>Net cash flow from operating activities</b>	<b>22</b>	<b>2,520</b>	<b>582</b>	<b>164</b>
<b>Returns on investment and servicing of finance</b>				
Interest received		132	122	79
Interest paid		(95)	(86)	(72)
Loan interest paid		(169)	(107)	(26)
Interest element of finance lease rentals		(27)	(25)	(1)
Dividends received from associated undertaking		209	131	12
Dividends paid		(400)	(340)	(160)
<b>Net cash outflow from returns on investment and servicing of finance</b>		<b>(350)</b>	<b>(305)</b>	<b>(168)</b>
<b>Taxation</b>				
Tax paid		(414)	(469)	(294)
<b>Investing activities:</b>				
Purchases of tangible fixed assets		(416)	(699)	(660)
Sales of tangible fixed assets		108	106	173
Investment in associated undertaking		(131)	(6)	—
Sale of subsidiary undertakings (net)	<b>23</b>	<b>—</b>	<b>—</b>	<b>467</b>
<b>Net cash outflow from investment activities</b>		<b>(439)</b>	<b>(599)</b>	<b>(20)</b>
<b>Net cash outflow before financing</b>		<b>1,317</b>	<b>(791)</b>	<b>(318)</b>
<b>Financing</b>				
Loans		59	69	—
Capital subscribed by minority shareholders		94	—	—
Capital element of finance lease payments		(52)	(36)	(6)
Loan repayments		(167)	(112)	(131)
<b>Net cash outflow from financing</b>	<b>24</b>	<b>(66)</b>	<b>(79)</b>	<b>(137)</b>
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>25</b>	<b>1,251</b>	<b>(870)</b>	<b>(455)</b>

## 7. Notes to the financial information in paragraphs 2 to 6

### 1. Accounting policies

The financial information has been prepared in accordance with United Kingdom accounting standards on the historical cost basis modified to include the revaluation of certain tangible fixed assets. A summary of the more important accounting policies is set out below. These accounting policies are applied consistently from year to year.

#### (a) Basis of consolidation

The consolidated accounts incorporate the accounts of Thomas Locker and all its subsidiary undertakings except where standard accounting practice requires that a subsidiary should be excluded from consolidation.

#### (b) Goodwill

Goodwill, including that arising on consolidation, is written off to reserves in the year in which it arises.

#### (c) Turnover

Turnover represents the total amount receivable for goods sold to customers outside the Locker Group, exclusive of turnover taxes, and includes the value of work carried out under certain contracts of a shorter duration than one year which are treated as long term contracts.

#### (d) Pension costs

Contributions are charged against profits so as to spread the cost of pensions over employees' working lives with the group.

#### (e) Deferred taxation

Provision for deferred taxation is made on the liability method on all timing differences which are expected to reverse within the foreseeable future, calculated at the rate at which it is expected that tax will become payable.

Advance corporation tax recoverable is deducted from deferred taxation in the balance sheet.

#### (f) Tangible fixed assets

Expenditure on tangible fixed assets, including those subject to hire purchase contracts are capitalised. Land and buildings are stated at valuation made by independent professionally qualified valuers. Depreciation is calculated at rates estimated to write off the valuation or cost of tangible fixed assets by equal instalments over their anticipated useful lives, the principal lives being:

Buildings	50 years
Plant and equipment	5 to 25 years
Motor vehicles	4 years
Land	No depreciation provided

Tangible fixed assets held under the terms of finance leases are capitalised at a value equal to the cost incurred by the lessor in acquiring the relevant assets and are depreciated over the lower of their anticipated useful lives or the lease term. Leases are regarded as finance leases where their terms give rights approximating to ownership. The capital element of future lease payments is included in creditors. The interest element is charged to the profit and loss account using the annuity method.

All other leases are operating leases and the annual rentals payable are charged to the profit and loss account.

#### (g) Investments

Investment are included at cost less provision for permanent diminution in value except for investments in associated undertakings which are included in the consolidated accounts at Locker Group's share of the net assets, together with any premium on acquisition less amounts written off. The Locker Group's share of profits less losses of associated undertakings is included in the consolidated profit and loss account.

#### (h) Stocks and contracts in progress

Stocks are stated at the lower of cost and net realisable value. Cost, where appropriate, includes all overheads, based on normal levels of activity, incurred in bringing the stocks to their present condition and location.

Certain contracts with a shorter duration than one year are accounted for as a long-term contracts, and are stated at cost incurred net of amounts transferred to the profit and loss account in respect of work carried out to date, less foreseeable losses and applicable payments on accounts.

**(i) Rate of exchange**

Assets and liabilities of overseas subsidiary undertakings in the consolidated balance sheet are translated into sterling at the rate of exchange ruling at the year end.

Transactions in the consolidated profit and loss account and consolidated cash flow statement are converted into sterling at the average rates of exchange for the year.

Adjustments resulting from the translation of the overseas companies' assets and liabilities at the closing rates of exchange are dealt with in reserves.

Differences in exchange arising in the normal course of business are dealt with in the profit and loss account.

**2. Turnover and profit**

Turnover, profit and net assets are analysed as follows:

*By country of manufacture*

	1993			1994			1995		
	Turnover £'000	Profit/ (loss) £'000	Net assets £'000	Turnover £'000	Profit/ (loss) £'000	Net assets £'000	Turnover £'000	Profit/ (loss) £'000	Net assets £'000
United Kingdom:									
Continuing activities	16,817	511	6,669	15,174	(341)	6,488	17,103	(962)	7,274
Discontinued activities	7,910	(391)	3,219	7,059	(365)	1,429	—	—	—
Belgium	4,733	30	1,511	4,397	(9)	1,566	5,832	467	2,036
Germany	225	(117)	35	—	—	—	—	—	—
South Africa	2,568	63	1,253	1,902	8	1,063	2,832	266	1,185
Australia	4,769	555	2,719	5,441	739	1,766	5,537	641	2,045
Thailand	1,061	(338)	829	845	(701)	—	—	—	—
	<u>38,083</u>	<u>313</u>	<u>16,235</u>	<u>34,818</u>	<u>(669)</u>	<u>12,312</u>	<u>31,304</u>	<u>412</u>	<u>12,540</u>
Less exports to Locker									
Group companies	(468)			(398)			(842)		
Associated undertakings		292	1,391		(82)	1,366		31	1,189
Losses on sale of operation					(2,600)				
Interest		(184)			(82)			7	
Cash less borrowings			825			1,097			918
	<u>37,615</u>	<u>421</u>	<u>18,451</u>	<u>34,420</u>	<u>(3,433)</u>	<u>14,775</u>	<u>30,462</u>	<u>450</u>	<u>14,647</u>

*By activity*

	1993			1994			1995		
	Turnover £'000	Profit/ (loss) £'000	Net assets £'000	Turnover £'000	Profit/ (loss) £'000	Net assets £'000	Turnover £'000	Profit/ (loss) £'000	Net assets £'000
Wire conversion and metal forming:									
Continuing activities	9,012	163	7,126	9,482	(44)	3,535	8,616	(361)	4,061
Discontinued activities	7,910	(391)	3,219	7,059	(365)	1,429	—	—	—
Materials processing equipment	13,708	615	4,805	11,644	43	5,464	13,849	657	6,027
Filtration equipment	7,731	(74)	1,085	6,765	(303)	1,884	8,414	116	2,452
	<u>38,361</u>	<u>313</u>	<u>16,235</u>	<u>34,950</u>	<u>(669)</u>	<u>12,312</u>	<u>30,879</u>	<u>412</u>	<u>12,540</u>
Less Locker Group sales	(746)			(530)			(417)		
Associated undertakings		292	1,391		(82)	1,366		31	1,189
Losses on sale of operation					(2,600)				
Interest		(184)			(82)			7	
Cash less borrowings			825			1,097			918
	<u>37,615</u>	<u>421</u>	<u>18,451</u>	<u>34,420</u>	<u>(3,433)</u>	<u>14,775</u>	<u>30,462</u>	<u>450</u>	<u>14,647</u>

Locker Group sales mainly comprise sales from wire conversion and metal forming to materials processing equipment and filtration equipment.

**Turnover — geographical markets supplied:**

	Year ended 31 March		
	1993 £'000	1994 £'000	1995 £'000
United Kingdom	11,881	10,356	12,208
European Union	6,315	6,506	7,468
Rest of Europe	2,335	574	794
Australia	4,772	5,386	5,540
Far East	1,461	1,319	621
Africa	2,697	1,941	2,885
Other	756	1,616	946
	<u>30,217</u>	<u>27,698</u>	<u>30,462</u>
Discontinued operations	7,910	7,059	—
Less sales to continuing operations	(512)	(337)	—
	<u>37,615</u>	<u>34,420</u>	<u>30,462</u>

**Profit on ordinary activities before taxation is stated after charging:**

	Year ended 31 March		
	1993 £'000	1994 £'000	1995 £'000
Operating leases:			
Land and buildings	628	660	449
Plant and machinery	420	461	433
Depreciation of tangible fixed assets:			
Owned	1,149	1,142	728
Held under finance leases and hire purchase agreements	46	45	6
Auditors' remuneration:			
Audit fees	148	140	112
Other fees in the United Kingdom	57	97	51

**3. Other operating expenses**

	Year ended 31 March 1993			Year ended 31 March 1994			Year ended 31 March 1995
	Continuing operations £'000	Discontinued operations £'000	Total £'000	Continuing operations £'000	Discontinued operations £'000	Total £'000	Continuing operations £'000
Selling and distribution costs	4,506	1,322	5,828	4,072	1,218	5,290	4,501
Administrative expenses	4,344	723	5,067	4,155	702	4,857	4,437
Exceptional administrative expenses	202	—	202	596	—	596	450
	<u>9,052</u>	<u>2,045</u>	<u>11,097</u>	<u>8,823</u>	<u>1,920</u>	<u>10,743</u>	<u>9,388</u>
Other operating income	(267)	—	(267)	(277)	—	(277)	(429)
	<u>8,785</u>	<u>2,045</u>	<u>10,830</u>	<u>8,546</u>	<u>1,920</u>	<u>10,466</u>	<u>8,959</u>

## 4. Exceptional expenses

	Year ended 31 March		
	1993 £'000	1994 £'000	1995 £'000
Continuing operations			
Other operating expenses:			
Provision for restructuring costs in UK	—	—	450
Provision for loan in Locker Asia Co. Limited	—	596	—
Redundancy costs	173	—	—
Professional fees on aborted sale of South African subsidiary undertaking	29	—	—
	<u>202</u>	<u>596</u>	<u>450</u>
Discontinued operations			
Provision for loss on disposal of Associated Perforators & Weavers Limited and APW Two Limited	—	2,600	—
	<u>202</u>	<u>3,196</u>	<u>450</u>

On 21 April 1994 the shares and the group loan accounts of Associated Perforators & Weavers Limited and APW Two Limited were sold at a discount of £2,250,000 to net asset value. The exceptional charge of £2,600,000 in the year ended 31 March 1994 recognised this write-off, the related costs of negotiating and implementing the sale, and consequent redundancy costs in other parts of the Locker Group.

The balance sheet of Locker Asia Co. Limited has not been consolidated as there are severe long term restrictions in place over the ability of Lockers Pty Limited to exercise control or exert significant influence over the company. In the opinion of the Directors these restrictions have arisen because the other shareholder in the company exercises a dominant influence over the operating and financial policies of Locker Asia Co. Limited. Full provision has therefore been made against the investment in and amounts due from Locker Asia Co. Limited. In addition, provision has been made in full for a guarantee in place to a Thailand bank.

## 5. Interest

	Year ended 31 March 1993			Year ended 31 March 1994			Year ended 31 March 1995
	Continuing operations £'000	Discontinued operations £'000	Total £'000	Continuing operations £'000	Discontinued operations £'000	Total £'000	Continuing operations £'000
Interest receivable	<u>135</u>	<u>—</u>	<u>135</u>	<u>120</u>	<u>—</u>	<u>120</u>	<u>107</u>
Less:							
Interest payable on bank loans, overdrafts and other loans repayable within five years	179	80	259	102	75	177	96
On finance leases repayable within 5 years	8	26	34	3	22	25	4
On finance leases repayable in more than 5 years	26	—	26	—	—	—	—
	<u>(78)</u>	<u>(106)</u>	<u>(184)</u>	<u>15</u>	<u>(97)</u>	<u>(82)</u>	<u>7</u>

**6. Employees****Information relating to directors and employees**

The average number of persons employed by the Locker Group during the year was:

United Kingdom

Overseas

Year ended 31 March		
1993	1994	1995
527	491	360
293	273	215
<u>820</u>	<u>764</u>	<u>575</u>

Staff costs during the year:

Wages and salaries

Social security costs

Other pension costs

Year ended 31 March		
1993	1994	1995
£'000	£'000	£'000
10,138	9,822	8,641
1,676	1,452	1,377
629	608	547
<u>12,443</u>	<u>11,882</u>	<u>10,565</u>

Directors' remuneration:

Fees

Other emoluments

Pension contributions

Year ended 31 March		
1993	1994	1995
£'000	£'000	£'000
22	22	23
147*	143	183
10	10	13
<u>169</u>	<u>175</u>	<u>219</u>

\*This amount was not required to be analysed separately in the year ended 31 March 1993.

The Chairman's emoluments for the year ended 31 March 1995 were £12,000 (1994: £12,000; 1993: £12,000).

The emoluments of the highest paid director were £81,545 (1994: £71,844; 1993: £70,996), excluding pension contributions of £10,074 (1994: £9,675).

The emoluments of all directors, excluding pensions and pension contributions, were within the following bands:

	Year ended 31 March		
	1993	1994	1995
£ 0 – £ 5,000	1	—	—
£ 5,001 – £10,000	1	2	2
£10,001 – £15,000	1	1	1
£15,001 – £20,000	—	—	1
£20,001 – £25,000	1	—	—
£25,001 – £30,000	1	—	—
£30,001 – £35,000	1	2	1
£35,001 – £40,000	—	—	1

## 7. Taxation

	Year ended 31 March 1993			Year ended 31 March 1994			Year ended 31 March 1995
	Continuing operations £'000	Discontinued operations £'000	Total £'000	Continuing operations £'000	Discontinued operations £'000	Total £'000	Continuing operations £'000
On profit for year							
United Kingdom corporation tax (at 33 per cent all years)	339	(135)	204	99	(9)	90	88
Advance corporation tax	—	—	—	76	—	76	20
Double taxation relief	(109)	—	(109)	(72)	—	(72)	(84)
Transfer from deferred taxation	(100)	(41)	(141)	(109)	(103)	(212)	(204)
Overseas taxation	335	—	335	318	—	318	351
Share of associated undertakings' tax charge	80	—	80	(2)	—	(2)	106
Amounts under/(over) provided in previous years:							
Current taxation	—	—	—	—	—	—	(44)
Deferred taxation	—	—	—	—	—	—	2
	<u>545</u>	<u>(176)</u>	<u>369</u>	<u>310</u>	<u>(112)</u>	<u>198</u>	<u>235</u>

The high tax charge in the year ended 31 March 1995 is the result of UK tax losses not being available for offset against profits overseas.

Unrecoverable advance corporation tax amounting to £20,000 (1994: £76,000; 1993: £nil) has been written off.

## 8. Shareholders' profit

	Year ended 31 March		
	1993 £'000	1994 £'000	1995 £'000
Profit attributable to shareholders of Thomas Locker:			
Dealt with in the accounts of the parent company	(373)	2,068	(821)
Dealt with in the accounts of subsidiary undertakings	457	(5,526)	1,084
Dealt with in the accounts of associated undertakings	82	(97)	(71)
	<u>166</u>	<u>(3,555)</u>	<u>192</u>

## 9. Dividends

	Year ended 31 March		
	1993 £'000	1994 £'000	1995 £'000
Dividends of Thomas Locker:			
Interim 0.2p (1994: 0.2p; 1993: 0.35p) per share paid 3 January 1995	140	80	80
Proposed final 0.25p (1994: 0.2p; 1993: 0.65p) per share payable 28 July 1995	260	80	100
	<u>400</u>	<u>160</u>	<u>180</u>

An election has been made under Section 246A Income and Corporation Taxes Act 1988 to treat the proposed final dividend for the year ended 31 March 1995 as a foreign income dividend. Tax at the lower 20 per cent rate of 0.0625p per share will be treated as having been paid on the dividend but cannot be reclaimed by shareholders.



**10. Earnings/(loss) per share**

	Year ended 31 March		
	1993 £'000	1994 £'000	1995 £'000
Profit/(loss) attributable to shareholders	<u>166</u>	<u>(3,555)</u>	<u>192</u>
Ordinary and "A" ordinary shares of 5p each in issue at the end of each year	40,000,000	40,000,000	40,000,000
Earnings/(loss) per share	<u>0.42p</u>	<u>(8.89p)</u>	<u>0.48p</u>

**11. Tangible fixed assets**

	Freehold land and buildings £'000	Plant and equipment £'000	Total £'000
<b>Cost or valuation</b>			
At 1 April 1993	5,176	13,681	18,857
Exchange differences	(42)	46	4
Additions	2	676	678
Disposals	—	(519)	(519)
Subsidiary deconsolidated	—	(1,345)	(1,345)
At 1 April 1994	<u>5,136</u>	<u>12,539</u>	<u>17,675</u>
Exchange differences	42	(75)	(33)
Additions	49	611	660
Disposals	—	(407)	(407)
Subsidiary sold	—	(4,412)	(4,412)
At 31 March 1995	<u>5,227</u>	<u>8,256</u>	<u>13,483</u>
<b>Depreciation</b>			
At 1 April 1993	—	7,748	7,748
Exchange differences	—	12	12
Charge for year	76	1,111	1,187
Eliminated in respect of disposals	—	(469)	(469)
Subsidiary deconsolidated	—	(491)	(491)
At 1 April 1994	<u>76</u>	<u>7,911</u>	<u>7,987</u>
Exchange differences	2	(29)	(27)
Charge for year	86	648	734
Eliminated in respect of disposals	—	(316)	(316)
Subsidiary sold	—	(3,114)	(3,114)
At 31 March 1995	<u>164</u>	<u>5,100</u>	<u>5,264</u>
<b>Net book value</b>			
At 31 March 1995	<u>5,063</u>	<u>3,156</u>	<u>8,219</u>
At 31 March 1994	<u>5,060</u>	<u>4,628</u>	<u>9,688</u>
At 31 March 1993	<u>5,176</u>	<u>5,933</u>	<u>11,109</u>
<b>Cost or valuation at 31 March 1995 is represented by:</b>			
Valuation on 31 March 1993	5,178	—	5,178
Cost	49	8,256	8,305
	<u>5,227</u>	<u>8,256</u>	<u>13,483</u>

If land and buildings had not been revalued they would have been included at the following amounts:

	At 31 March	
	1994 £'000	1995 £'000
Cost	2,926	3,103
Aggregate depreciation	(743)	(832)
	<u>2,183</u>	<u>2,271</u>

At 31 March 1995 the net book value of tangible fixed assets held by the Locker Group under finance leases and hire purchase contracts amounted to £26,000 (1994: £202,000).

	At 31 March	
	1994 £'000	1995 £'000
Commitments for capital expenditure not provided in the accounts:		
Contracts placed for future expenditure	48	58
Expenditure authorised but not contracted	<u>6</u>	<u>33</u>

## 12. Fixed asset investments

	Associated undertakings £'000
At 1 April 1993	1,391
Exchange difference	18
Additional investment	6
Discount on acquisition	48
Share of retained profits less losses for the year	(97)
At 1 April 1994	<u>1,366</u>
Exchange	(84)
Change in shareholdings	(22)
Share of retained profits less losses for the year	(71)
At 31 March 1995	<u>1,189</u>

	At 31 March	
	1994 £'000	1995 £'000
Investments in associated undertakings comprise:		
Group share of net assets	<u>1,366</u>	<u>1,189</u>

## 13. Stocks

	At 31 March	
	1994 £'000	1995 £'000
Stocks comprise:		
Raw materials	2,799	2,989
Work in progress	833	1,132
Finished goods	<u>1,526</u>	<u>710</u>
	<u>5,158</u>	<u>4,831</u>

The replacement cost of stocks is not significantly greater than their balance sheet value at either 31 March 1994 or 31 March 1995.

#### 14. Debtors

	At 31 March	
	1994 £'000	1995 £'000
Amounts falling due within one year:		
Trade debtors	7,244	7,064
Other debtors	191	297
Prepayments and accrued income	541	387
	<u>7,976</u>	<u>7,748</u>

#### 15. Contingent liabilities

Thomas Locker has guaranteed the bank borrowings of certain UK subsidiaries. At 31 March 1995, the amounts guaranteed amounted to £nil (1994: £536,000).

Contingent liabilities arising in the normal course of business in the subsidiary undertakings of the Locker Group at 31 March 1995 were £768,000 (1994: £1,016,000) for performance and bank guarantees.

It is not expected that any of these contingencies will result in a loss.

Air-Maze Corporation, an associated company of the Locker Group has been named as defendant in litigation initiated by a contractor that performed environmental remedial services under a fixed price contract. The contractor seeks compensatory and punitive damages in amounts that are material to the financial position of Air-Maze Corporation. Air-Maze Corporation's attorneys are of the opinion that the claims are contrary to the terms of the contract.

The directors of the Company have been assured that Air-Maze Corporation intends to vigorously contest the claims and expects that the outcome of the litigation will not have a material effect on its financial position.

#### 16. Pensions

The Locker Group operates a number of pension schemes in the UK and overseas. All but two of the major schemes are of the defined benefit type, the exceptions being two related defined contribution schemes for hourly paid workers in the UK. The assets of all schemes are held in separate trustee administered funds.

The total pension charge to the profit and loss account in the year to 31 March 1995 was £547,000 (1994: £608,000; 1993: £629,000), of which £196,000 (1994: £158,000; 1993: £181,000) relates to overseas schemes.

Further information about the main schemes is given below.

##### Thomas Locker (Holdings) plc Retirement and Death Benefit Plan

This scheme covers UK staff employees throughout the Locker Group and is a defined benefit scheme. Contributions are determined by a qualified actuary on the basis of a triennial valuation, using the projected unit method.

The most recent valuation was at 1 June 1994. The assumptions made for the valuation which have the most significant effects on the result are: investment returns would be 9 per cent per annum, pensionable salaries would increase on average at 8 per cent per annum, future pensions in payment would increase at 5 per cent per annum for that proportion of pensions in excess of the guaranteed minimum pension.

At the last valuation the plan assets had an actuarial value of £10,729,000, which represented 105 per cent of the value of the accrued benefits of members after allowing for expected future increases in earnings. The Trustees made no changes to the benefits of current members or pensioners. The employers' contribution rate remains at 10.1 per cent and the employees' rate 5 per cent. Certain executive employees are funded on a non-contributory basis and the employers' contribution remains at 15.1 per cent per annum including the cost of insuring lump sum death in service benefits.

The charge to the profit and loss account in the year to 31 March 1995 was £261,000 (1994: £336,000; 1993: £333,000).

Following the disposal of Associated Perforators & Weavers Limited, there was a bulk transfer of accrued rights for staff who have transferred into a pension fund provided by its new owners. The value of this transfer was £724,000.

There is no difference between the method and assumptions used for calculating the accounting costs of pensions and the contribution rates payable and, thus, there is no provision or prepayment in the Company's balance sheet on account of pensions. The current level of funding rates is expected to sustain the fund in its present condition for the foreseeable future.

**Locker 1988 Pension Scheme**  
**Locker 1988 No. 2 Pension Scheme**

These funds are linked defined contribution funds for hourly-paid workers in the UK. Total contributions payable by the Locker Group for the year to 31 March 1995 amounted to £90,000 (1994: £114,000; 1993: £115,000).

**Overseas pension funds**

There are separate defined benefit and defined contribution funds in operation in Belgium, Australia and South Africa.

**17. Commitments under operating leases**

Future annual commitments in the ordinary course of business for the payment of operating lease rentals are as follows:

	At 31 March			
	1994		1995	
	Land and buildings £'000	Plant and equipment £'000	Land and buildings £'000	Plant and equipment £'000
Expiring within one year	17	6	16	15
Expiring between two and five years	—	355	—	408
Expiring after five years	586	—	457	—
	<u>603</u>	<u>361</u>	<u>473</u>	<u>423</u>

**18. Creditors**

	At 31 March	
	1994 £'000	1995 £'000
Amounts falling due within one year:		
Loans	117	131
Current instalments due on finance leases	61	8
Payments received on account	231	183
Bank overdrafts	1,307	1,751
Trade creditors	3,672	3,644
Dividends payable	80	100
Corporation tax	349	382
Other taxation and social security payable	558	494
Other creditors	513	532
Accruals and deferred income	1,263	1,288
	<u>8,151</u>	<u>8,513</u>
Amounts falling due after more than one year:		
Secured bank loans	117	—
Future instalments due on finance leases	157	22
Accruals and deferred income	15	—
	<u>289</u>	<u>22</u>

Bank overdrafts amounting to (£1,088,000 (1994: £105,000)) are secured on the assets of certain subsidiary companies.

**Bank loans:**

10 per cent Unsecured loans repayable by five equal annual instalments commencing November 1991

**Finance leases**

These loans are repayable:

One year or less	234	131
Between one and two years	218	30
Between two and five years	<u>452</u>	<u>161</u>
	178	139
	274	8
	<u>452</u>	<u>161</u>

**19. Provisions for liabilities and charges**

	Deferred taxation £'000	Other provisions £'000	Total £'000
At 1 April 1993	637	494	1,131
Exchange differences	1	3	4
Transfer (to)/from profit and loss account	(189)	2,883	2,694
At 1 April 1994	449	3,380	3,829
Exchange differences	(4)	(62)	(66)
Transfer (to)/from profit and loss account	(204)	424	220
Utilised	—	(2,218)	(2,218)
Subsidiary sold	(130)	—	(130)
At 31 March 1995	111	1,524	1,635

Other provisions comprise:

	At 31 March	
	1994 £'000	1995 £'000
Cost of restructuring in the UK	—	450
Loss on sale of Associated Perforators & Weavers Limited	2,218	—
Guarantee in Thailand	655	589
Leave pay	282	272
Other	225	213
	3,380	1,524

The guarantee in Thailand represents the maximum liability under the guarantee given by Lockers Pty Limited on a bank loan to Locker Asia Co. Limited.

**Deferred taxation**

The potential total liability for deferred taxation and the amount provided in the accounts at appropriate rates of taxation are as follows:

	At 31 March			
	1994		1995	
	Potential total liability £'000	Amount provided £'000	Potential total liability £'000	Amount provided £'000
Excess of book values over tax values of tangible fixed assets	1,166	794	960	593
Other timing differences	(367)	(345)	(452)	(482)
	799	449	508	111

No provision is made for taxation liabilities which would arise on the distribution of profits retained by overseas subsidiaries because there is no intention in the foreseeable future that such profits will be remitted.

**20. Called up share capital**

	At 31 March	
	1994 £'000	1995 £'000
<b>Authorised</b>		
60,000,000 shares of 5p each	<u>3,000</u>	<u>3,000</u>
<b>Allotted, called up and fully paid</b>		
10,000,000 ordinary shares of 5p each	500	500
30,000,000 "A" ordinary shares of 5p each	<u>1,500</u>	<u>1,500</u>
	<u>2,000</u>	<u>2,000</u>

Ordinary and "A" Ordinary shares have equal rights to dividends and in a liquidation. "A" Ordinary shareholders do not have the right to vote or attend the general meetings of the Company.

**21. Reserves**

	Revaluation reserve £'000	Other non- distributable reserves £'000	Profit and loss account £'000
Balance at 1 April 1993	3,056	541	12,459
Unrealised exchange adjustment	(12)	(9)	—
Loss for the year	—	26	(3,741)
Goodwill previously written off	—	—	92
Discount on further investment in associated undertaking	—	48	10
Transfers	(23)	(4)	27
Balance at 1 April 1994	<u>3,021</u>	<u>602</u>	<u>8,847</u>
Unrealised exchange adjustment	(89)	7	(48)
Retained profit for the year	—	18	(6)
Dilution of holding in associated undertaking	—	(22)	(2)
Transfers	(22)	(5)	27
Balance at 31 March 1995	<u>2,910</u>	<u>600</u>	<u>8,818</u>

The transfer from revaluation reserve to profit and loss account relates to depreciation provided during the year on the revaluation surplus as at 1 April 1993 and to the revaluation surplus realised on disposals.

The Locker Group reserves include £5,245,000 (1994: £3,827,000) in respect of certain subsidiary undertakings operating overseas which, if distributed as dividends, would involve additional taxation liabilities for which no provision has been made.

Goodwill arising on the acquisition of Associated Perforators & Weavers Limited and APW Two Limited previously written off directly to reserves was charged to the profit and loss account in the year ended 31 March 1994.

## 22. Net cash flow from operating activities

	Year ended 31 March		
	1993 £'000	1994 £'000	1995 £'000
Net cash flow from continuing operating activities:			
Operating profit/(loss)	704	(304)	412
Depreciation	823	855	735
Profit on sale of tangible fixed assets	(41)	(45)	(82)
(Increase)/decrease in stocks	285	(116)	(822)
(Increase)/decrease in debtors	1,017	(509)	(1,445)
(Decrease)/increase in creditors and provisions	(683)	685	1,656
	<u>2,105</u>	<u>566</u>	<u>454</u>
Net cash flow from discontinued operating activities:			
Operating loss	(391)	(365)	—
Depreciation	324	332	—
Profit on sale of tangible fixed assets	—	(4)	—
Decrease in stocks	104	225	—
(Increase)/decrease in debtors	(40)	268	—
(Decrease)/increase in creditors and provisions	418	(440)	(290)
	<u>415</u>	<u>16</u>	<u>(290)</u>
Net cash flow from operating activities	<u>2,520</u>	<u>582</u>	<u>164</u>

## 23. Sale of subsidiary undertakings

	Year ended 31 March 1995 £'000
Assets of Associated Perforators & Weavers Limited and APW Two Limited sold:	
Tangible fixed assets	1,298
Stocks	1,096
Debtors	1,719
Creditors	(1,428)
	<u>2,685</u>
Less: loss on sale	<u>(2,218)</u>
	<u>467</u>
Satisfied by:	572
Cash received	(105)
Cash held by subsidiaries at date of sale	<u>467</u>

## 24. Analysis of changes in financing during the year

	Year ended 31 March		
	1993 £'000	1994 £'000	1995 £'000
Loans and finance lease obligations:			
At 1 April	1,529	1,581	452
New finance lease commitment	—	19	19
Cash outflow from financing	(160)	(79)	(137)
Subsidiary sold	—	—	(198)
Subsidiary deconsolidated	—	(1,085)	—
Exchange adjustments	212	16	25
At 31 March	<u>1,581</u>	<u>452</u>	<u>161</u>

**25. Cash and cash equivalents**

	Year ended 31 March		
	1993 £'000	1994 £'000	1995 £'000
Balance at 1 April			
Cash at bank and in hand	2,189	3,084	2,856
Less: deposit held as security	(442)	(470)	(481)
Overdrafts	(1,159)	(679)	(1,307)
	<u>588</u>	<u>1,935</u>	<u>1,068</u>
Increase/(decrease) in cash and cash equivalents	1,251	(870)	(455)
Effect of foreign exchange rate charges	96	3	16
	<u>1,935</u>	<u>1,068</u>	<u>629</u>
At 31 March			
Cash at bank and in hand	3,084	2,856	2,830
Less: deposit held as security	(470)	(481)	(450)
Overdrafts	(679)	(1,307)	(1,751)
	<u>1,935</u>	<u>1,068</u>	<u>629</u>

The deposit held as security represents amounts on deposit since 1993 in connection with a guarantee of a loan by a Thai bank to Locker Asia Co. Limited. Full provision was made in the year ended 31 March 1994 for this guarantee. The result of a call of this would be a maximum cash payment of US\$960,000 (£589,000 at 31 March, 1995).

**26. Reconciliation of movements in shareholders' funds**

	Year ended 31 March	
	1994 £'000	1995 £'000
Profit/(loss) attributable to members of the holding company	(3,555)	192
Dividends	(160)	(180)
	<u>(3,715)</u>	<u>12</u>
Other recognised gains and losses relating to the year (net)	129	(154)
	<u>(3,586)</u>	<u>(142)</u>
Opening shareholders' funds	18,056	14,470
	<u>14,470</u>	<u>14,328</u>

**27. Equity minority interests**

	Year ended 31 March	
	1994 £'000	1995 £'000
At 1 April	395	305
Exchange differences	(4)	(11)
Minorities share of profit/(losses) for the year	(76)	23
Change in minority holding	(10)	2
	<u>305</u>	<u>319</u>



## 8. Interim statement

The following is the text of the announcement of the unaudited interim results of Thomas Locker for the six months ended 30 September 1995, made on 23 November 1995:

"Dear Shareholder,

The directors make the following announcement with regard to the results and interim dividend of Thomas Locker (Holdings) plc for the half year ended 30th September 1995.

The group profit, before taxation, for the period amounted to £748,000 (1994 - £104,000).

The directors have declared an interim dividend of 0.3p per share (1994 - 0.2p). The dividend will be paid on the 2nd January 1996 to shareholders on the register on 12th December 1995. This dividend will be paid as a foreign income dividend.

The pleasing improvement in profit has resulted from increased turnover by all subsidiaries. Australia and South Africa have remained robust with continued better results. The improvement in profit from the UK based operations has been substantial. However, the Belgian subsidiary, although increasing its turnover, has suffered from competitive pressure resulting in a decrease of profit. This has the ongoing attention of management.

The improved result of the associated undertakings reflects a very good performance from Air-Maze Corporation. The remaining associated interests have made reduced losses in the period and the directors believe the position will not worsen during the remainder of the year. The carrying value of our investment may be reviewed at the year end.

Overall, order books in the group are healthy. The Board is confident that the outcome for the year will be satisfactory.

The unaudited accounts for the half year are set out below.

Yours faithfully,

THOMAS LOCKER (HOLDINGS) PLC

J P Douglas  
Chairman

## Profit and loss account

	6 months ended 30.9.95 £000	6 months ended 30.9.94 £000	Year ended 31.3.95 £000
Turnover - continuing activities	16,483	14,409	30,462
Cost of sales - continuing activities	11,397	10,002	21,091
Gross profit	5,086	4,407	9,371
Other operating expenses	4,416	4,220	8,959
Operating profit - continuing activities	670	187	412
Share of profit less losses of associated undertakings	70	(71)	31
Interest	8	(12)	7
Profit on ordinary activities before tax - continuing activities	748	104	450
Taxation:			
UK Group Companies	2	(126)	(197)
Overseas Group Companies	221	128	326
Associated Undertakings	46	28	106
Taxation	269	30	235
Profit on ordinary activities after tax	479	74	215
Minority interests	42	16	23
Profit attributable to members of the holding company	437	58	192
Dividends	120	80	180
Retained profit/(loss)	317	(22)	12
Earnings per share	1.09p	0.15p	0.48p

## Group Balance Sheet

	30.9.95 £000	30.9.94 £000	31.3.95 £000
Fixed assets:			
Tangible fixed assets	8,218	8,280	8,219
Investments	1,244	1,223	1,189
	9,462	9,503	9,408
Current assets:			
Stocks	5,152	4,359	4,831
Debtors	8,241	6,832	7,748
Cash	2,770	2,618	2,830
	16,163	13,809	15,409
Creditors: amounts falling due within one year			
Bank overdraft	1,709	1,707	1,751
Other creditors	6,930	5,466	6,762
	8,639	7,173	8,513
Net current assets	7,524	6,636	6,896
Total assets less current liabilities	16,986	16,139	16,304
Creditors: amounts falling due after more than one year	18	119	22
Provisions for liabilities and charges	1,615	1,424	1,635
	15,353	14,596	14,647
Share capital and reserves	14,987	14,279	14,328
Equity minority interests	366	317	319
	15,353	14,596	14,647

## Cash Flow Statement

	6 months ended 30.9.95 £000	6 months ended 30.9.94 £000	Year ended 31.3.95 £000
Net cash flow from continuing operating activities	387	73	454
Net cash flow from discontinued operating activities	—	(290)	(290)
Net cash flow from operating activities	Note 2 387	(217)	164
Returns on investments and servicing of finance:			
Interest received	98	29	79
Interest paid	(59)	(41)	(99)
Dividends received from related undertakings	10	12	12
Dividends paid	(100)	(80)	(160)
Net cash outflow from returns on investment and servicing of finance	(51)	(80)	(168)
Tax paid	(308)	(286)	(294)
Investing activities:			
Purchases of tangible fixed assets	(217)	(395)	(660)
Sales of tangible fixed assets	45	114	173
Sale of Associated Perforators & Weavers Ltd (net)	—	244	467
Net cash outflow from investing activities	(172)	(37)	(20)
Net cash outflow before financing	(144)	(620)	(318)
Financing:			
Capital element of finance lease payment	(4)	—	(6)
Loan repayments	—	—	(131)
Net cash outflow from financing	(4)	—	(137)
Decrease in cash and cash equivalents	Note 3 (148)	(620)	(455)

## Notes:

## 1. Basis of preparation and accounting policies

The results for the half year to 30th September 1995 are unaudited and have been prepared in accordance with UK generally accepted accounting principles on a consistent basis. The results for the year ended 31st March 1995 are an extract from the latest published accounts which have been delivered to the Registrar of Companies, and on which the report of the auditors was unqualified.

6 months ended 30.9.95 £000	6 months ended 30.9.94 £000	Year ended 31.3.95 £000
--------------------------------------	--------------------------------------	----------------------------------

## 2. Net cash flow from operating activities

## Continuing activities:

Operating profit	670	187	412
Depreciation	365	390	735
Profit on sales of tangible fixed assets	(18)	(55)	(82)
Stock	(250)	(298)	(822)
Debtors	(426)	(343)	(1,445)
Creditors and provisions	46	192	1,656
	<u>387</u>	<u>73</u>	<u>454</u>

## Discontinued activities:

Creditors and provisions	—	(290)	(290)
	<u>—</u>	<u>(290)</u>	<u>(290)</u>

## Net cash flow from operating activities

<u>387</u>	<u>(217)</u>	<u>164</u>
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## 3. Cash and cash equivalents

## At start of period:

Cash at bank and in hand	2,830	2,856	2,856
Less: deposit held as security	(450)	(481)	(481)
Overdrafts	(1,751)	(1,307)	(1,307)
	<u>629</u>	<u>1,068</u>	<u>1,068</u>

## Decrease in cash and cash equivalents

## Effect of foreign exchange rate changes

(148)	(620)	(455)
94	(6)	16
<u>575</u>	<u>442</u>	<u>629</u>

## At end of period:

Cash at bank and in hand	2,770	2,618	2,830
Less: deposit held as security	(486)	(469)	(450)
Overdrafts	(1,709)	(1,707)	(1,751)
	<u>575</u>	<u>442</u>	<u>629</u>

The deposit held as security in Australia was released in October 1995. The guarantee given to the Thai bank remains outstanding and the maximum cash liability now stands at £606,000. This is fully provided against profit."

### **PART III**

#### **ACCOUNTANTS' REPORT ON PENTRE GROUP**

The following is the text of a report received from Coopers & Lybrand, Chartered Accountants:

**"The Directors and Proposed Directors  
Thomas Locker (Holdings) plc  
Church Street  
Warrington  
Cheshire  
WA1 2SU**

**The Directors  
Henry Cooke Corporate Finance Ltd  
No. 1 King Street  
Manchester  
M2 6AW**

**Coopers  
& Lybrand**

chartered accountants

Richmond House  
1 Rumford Place  
Liverpool L3 9QS

20 December 1995

Dear Sirs

#### **Introduction**

We report in connection with the listing particulars dated 20 December 1995 of Thomas Locker (Holdings) plc ("Thomas Locker") in connection with the proposed acquisition by Thomas Locker of the whole of the issued share capital of Pentre (Holdings) Limited ("Pentre") pursuant to a conditional agreement dated 20 December 1995.

Pentre and its subsidiary undertakings are referred to in this report as "the Pentre Group".

During the period under review, the Pentre Group has made a number of acquisitions of companies or assets and their related businesses. Where such acquisitions are material, the turnover and operating profit of the acquired operation, in both the year of acquisition and in subsequent periods, is shown separately in the profit and loss accounts set out below.

The principal acquisitions in the period were:

- the purchase, in October 1992, of the assets and business of Sonoco Reels Limited. The consideration was approximately £1.5 million paid in cash;
- the acquisition in March 1993 of Heas A/S, for a cash consideration of £250,000;
- the purchase in September 1993 of certain assets and the related business from Henry Sutcliffe Limited for a cash consideration of £415,000;
- the acquisition in July 1994 of a 75 per cent interest in Siipola OY (now named Pentre-Siipola OY). The purchase price was FIM 4,200,000 (£520,000), of which FIM 2,754,000 (£341,000) was paid in cash on completion, FIM 150,000 (£18,000) represented an asset transferred to the vendor, and FIM 1,296,000 (£161,000) was paid in February 1995. In addition contingent consideration to a maximum of FIM 5,000,000 (£741,000) is payable in 1997 and 1999. The remaining interest in Siipola OY was acquired in November 1995 for a cash consideration of FIM 1,350,000 (£200,000) pursuant to an option granted at the time of the original purchase;
- the acquisition in August 1995 of IR Holdings Limited and its subsidiary Industrial Reels Limited for a cash consideration of £2,544,000. A separate Accountants' Report on these companies for the period 1 April 1992 to the date of acquisition is included in Part IV of said listing particulars.

We have examined the audited accounts of the Pentre Group for the three years ended 31 December 1994 and for the nine month period ended 30 September 1995.

The accounts of the Pentre Group for the period covered by this report were audited by Voisey & Co, Chartered Accountants, who gave unqualified reports thereon.

Audited accounts have not been prepared for the Pentre Group for any period subsequent to 30 September 1995.

The financial information in this report is based on the audited accounts of the Pentre Group after making such adjustments as we consider necessary.

Our work has been carried out in accordance with the Auditing Guideline: "Prospectuses and the reporting accountant".

In our opinion, the financial information set out below gives, for the purpose of the said listing particulars, a true and fair view of the state of affairs of the Pentre Group as at 31 December 1992, 1993 and 1994 and at 30 September 1995 and of its consolidated profit, total recognised gains and cash flows for the periods then ended.

#### **Accounting policies**

The financial information contained in this report has been prepared in accordance with Accounting Standards currently applicable in the United Kingdom. The principal accounting policies, which have been applied consistently for all the periods covered by this report, are set out below.

#### **Accounting convention**

The financial information is prepared in accordance with the historical cost accounting convention, as modified by the revaluation of certain land and buildings and plant and machinery.

#### **Turnover**

Turnover represents the invoiced value of goods and services supplied to third parties, excluding value added tax.

#### **Basis of consolidation**

The consolidated financial information incorporates the financial statements of Pentre and its subsidiary undertakings made up to 31 December and 30 September as appropriate. The results of subsidiaries and businesses sold or acquired are included in the consolidated profit and loss account up to, or from, the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

#### **Goodwill**

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. In determining the fair value of the net assets acquired adjustments are made to conform the accounting policies of the acquired company to those of Pentre. Goodwill arising on the acquisition of subsidiaries and other purchased goodwill is written off immediately against reserves.

#### **Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost or valuation. Depreciation is charged by equal annual instalments, commencing with the period in which the asset is first available for use, so as to write off the cost or valuation of the asset, less any residual value, over its anticipated useful economic life.

The following rates of depreciation have been used:

Freehold and long leasehold land	Nil
Buildings	50 years
Leasehold improvements	Over the lease period
Plant and machinery	3 to 20 years
Motor vehicles	5 years

#### *Stock and work in progress*

Stock and work in progress are valued at the lower of cost and net realisable value. Cost has been determined by the first in first out method and is based on the purchase price or production cost, including an appropriate proportion of overhead expenses.

#### *Deferred taxation*

Provision is made for deferred taxation on short term timing differences and all other material timing differences which are not expected to continue in the future.

#### *Research and development*

Research and development expenditure is charged against operating profits as it is incurred.

#### *Foreign currency translation*

Each asset, liability, revenue or cost arising from a transaction denominated in a foreign currency is translated and recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities have been translated at rates ruling at the balance sheet date. Exchange differences are included in operating profit.

For the purpose of the consolidation, assets and liabilities of overseas subsidiary undertakings are translated at exchange rates ruling at the balance sheet date. Profits and losses are translated at monthly average rates of exchange and translation differences are dealt with through reserves.

#### *Finance leases*

Assets held under finance leases are included in tangible fixed assets at their fair value on acquisition and are depreciated over the shorter of the lease term or their useful lives. Obligations relating to finance leases, net of finance charges in respect of future periods, are included as appropriate under creditors due within or after one year. Finance charges are allocated to accounting periods over the lease term to reflect a constant rate of interest on the remaining balance of the obligation.

#### *Operating leases*

Rentals under operating leases are charged against profit as incurred.

#### *Pension costs*

Pension costs relating to Pentre Group schemes are assessed in accordance with the advice of independent qualified actuaries. Actuarial assessments of the pension schemes are carried out on a triennial basis and, in respect of continuing schemes, surpluses and deficits disclosed by the valuations are amortised over the remaining service lives of the members. Differences between the amount charged in the profit and loss account and the payments made to the schemes are treated as provisions or prepayments in the balance sheet.

**Consolidated profit and loss accounts**

		Year ended 31 December			9 months ended 30 September
	Notes	1992 £'000	1993 £'000	1994 £'000	1995 £'000
<b>Turnover</b>	1(a), 2				
Operations continuing throughout period under review		5,299	6,522	8,324	6,886
Acquisitions during period under review		1,079	8,619	12,518	13,819
Total continuing operations		6,378	15,141	20,842	20,705
Cost of sales	3	(4,135)	(10,564)	(14,815)	(13,905)
Gross profit	4	2,243	4,577	6,027	6,800
Administrative expenses	5	(1,975)	(3,669)	(5,141)	(5,099)
<b>Operating profit</b>	6				
Operations continuing throughout period under review		156	108	241	380
Acquisitions during period under review		112	800	645	1,321
Total continuing operations		268	908	886	1,701
Interest payable	9	(239)	(414)	(528)	(509)
Profit on ordinary activities before taxation	1(b)	29	494	358	1,192
Taxation on profit on ordinary activities	10	—	(129)	(8)	(376)
Profit for financial period		29	365	350	816
Minority interests		—	—	(44)	(72)
Profit attributable to shareholders		29	365	306	744
Dividends and appropriations	11	—	—	—	(64)
Retained profit for financial period	23	29	365	306	680



**Note of historical cost profits and losses**

	Year ended 31 December			9 months ended 30 September
	1992	1993	1994	1995
	£'000	£'000	£'000	£'000
Reported profit on ordinary activities before taxation	29	494	358	1,192
Difference between the historical cost depreciation charge and the actual depreciation charge calculated on revalued amounts:				
— assets subject to revaluation	—	54	44	34
— assets subject to fair value exercise	<u>1</u>	<u>15</u>	<u>30</u>	<u>49</u>
Historical cost profit on ordinary activities before taxation	<u>30</u>	<u>563</u>	<u>432</u>	<u>1,275</u>
Historical cost profit retained after taxation	<u>30</u>	<u>434</u>	<u>380</u>	<u>763</u>

**Statements of total recognised gains and losses**

	Year ended 31 December			9 months ended 30 September
	1992	1993	1994	1995
	£'000	£'000	£'000	£'000
Profit for financial period	29	365	306	744
Costs of share issue	—	(107)	—	(5)
Surplus on revaluation of fixed assets	849	—	—	—
Exchange difference in respect of net investment in foreign enterprises	<u>—</u>	<u>—</u>	<u>—</u>	<u>227</u>
Total recognised gains and losses	<u>878</u>	<u>258</u>	<u>306</u>	<u>966</u>

**Consolidated balance sheets**

	Notes	At 31 December			At 30 September
		1992 £'000	1993 £'000	1994 £'000	1995 £'000
<b>Fixed assets</b>					
Tangible fixed assets	12	<u>3,486</u>	<u>5,377</u>	<u>8,755</u>	<u>12,014</u>
<b>Current assets</b>					
Stocks	13	577	1,260	1,979	3,697
Debtors	14	2,127	3,644	4,629	5,725
Cash at bank and in hand		<u>712</u>	<u>270</u>	<u>159</u>	<u>154</u>
		<u>3,416</u>	<u>5,174</u>	<u>6,767</u>	<u>9,576</u>
Creditors: amounts falling due within one year	15	<u>(4,133)</u>	<u>(5,851)</u>	<u>(8,078)</u>	<u>(10,688)</u>
<b>Net current liabilities</b>		<u>(717)</u>	<u>(677)</u>	<u>(1,311)</u>	<u>(1,112)</u>
<b>Total assets less current liabilities</b>		<u>2,769</u>	<u>4,700</u>	<u>7,444</u>	<u>10,902</u>
Creditors: amounts falling due after more than one year	16	(1,269)	(1,753)	(2,926)	(3,408)
<b>Provision for liabilities and charges</b>					
Deferred taxation	18	<u>(234)</u>	<u>(397)</u>	<u>(661)</u>	<u>(1,070)</u>
	1(c)	<u>1,266</u>	<u>2,550</u>	<u>3,857</u>	<u>6,424</u>
<b>Capital and reserves</b>					
Called up share capital	19	1	2	2	1,677
Share premium	20	—	892	892	1,212
Revaluation reserve	21	849	795	751	717
Other reserve	22	687	713	1,204	682
Profit and loss account	23	<u>(271)</u>	<u>148</u>	<u>498</u>	<u>1,503</u>
<b>Equity shareholders' funds</b>	24, 25	<u>1,266</u>	<u>2,550</u>	<u>3,347</u>	<u>4,052</u>
<b>Non-equity shareholders' funds</b>	24, 25	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,739</u>
		<u>1,266</u>	<u>2,550</u>	<u>3,347</u>	<u>5,791</u>
Minority interest – equity	26	<u>—</u>	<u>—</u>	<u>510</u>	<u>633</u>
		<u>1,266</u>	<u>2,550</u>	<u>3,857</u>	<u>6,424</u>

**Consolidated cash flow statements**

		Year ended 31 December			9 months ended
		1992	1993	1994	30 September
	Notes	£'000	£'000	£'000	1995
					£'000
<b>Net cash inflow from operating activities</b>	27	<u>1,168</u>	<u>1,058</u>	<u>1,254</u>	<u>955</u>
<b>Returns on investments and servicing of finance</b>					
Interest paid		(245)	(416)	(528)	(512)
Interest received		6	2	—	3
		<u>(239)</u>	<u>(414)</u>	<u>(528)</u>	<u>(509)</u>
<b>Taxation</b>					
Taxation recovered/(paid)		<u>76</u>	<u>7</u>	<u>(20)</u>	<u>(31)</u>
<b>Investing activities</b>					
Acquisition of businesses	30	(1,435)	(1,036)	(813)	(3,247)
Reorganisation costs of businesses acquired		—	(96)	(49)	—
Disposal of businesses		—	—	99	—
Purchase of tangible fixed assets		(251)	(305)	(602)	(411)
Receipts from sales of tangible fixed assets		<u>198</u>	<u>38</u>	<u>21</u>	<u>119</u>
<b>Net cash outflow from investing activities</b>		<u>(1,488)</u>	<u>(1,399)</u>	<u>(1,344)</u>	<u>(3,539)</u>
<b>Net cash outflow before financing</b>		<u>483</u>	<u>(748)</u>	<u>(638)</u>	<u>(3,124)</u>
<b>Financing</b>					
Proceeds of share issue		—	1,000	—	2,000
Costs of share issue		—	(107)	—	(5)
Receipt of medium term secured bank loans		1,000	—	900	988
Receipt of vendor loan		750	—	—	—
Repayment of medium term secured bank loans		—	(100)	(332)	(218)
Repayment of secured borrowings		(16)	—	—	—
Repayment of vendor loan		—	(500)	(250)	—
Capital repayments of finance leases		<u>(15)</u>	<u>(124)</u>	<u>(58)</u>	<u>(55)</u>
<b>Net cash inflow from financing</b>		<u>1,719</u>	<u>169</u>	<u>260</u>	<u>2,710</u>
<b>Increase/(decrease) in cash and cash equivalents</b>	28	<u><u>1,236</u></u>	<u><u>(579)</u></u>	<u><u>(378)</u></u>	<u><u>(414)</u></u>

## Notes to the financial information

### 1. Segmental information

The Pentre Group has a single principal activity being the manufacture and supply of reels and drums and specialised machinery to the international wire and cable industry.

Segmental information by geographical area is given below:

	Year ended 31 December			9 months ended 30 September
	1992	1993	1994	1995
	£'000	£'000	£'000	£'000
<b>(a) Turnover</b>				
<i>By destination</i>				
United Kingdom	4,250	8,843	11,753	10,534
Rest of Europe	764	1,728	4,287	6,972
Rest of world	1,364	4,570	4,802	3,199
	<u>6,378</u>	<u>15,141</u>	<u>20,842</u>	<u>20,705</u>
<i>By origin</i>				
United Kingdom	6,378	12,753	16,431	14,984
Rest of Europe	—	2,388	4,411	5,721
	<u>6,378</u>	<u>15,141</u>	<u>20,842</u>	<u>20,705</u>
<b>(b) Profit before tax by origin</b>				
United Kingdom	29	459	173	809
Rest of Europe	—	35	185	383
	<u>29</u>	<u>494</u>	<u>358</u>	<u>1,192</u>
<b>(c) Net assets by location</b>				
United Kingdom		2,214	1,338	3,682
Rest of Europe		336	2,519	2,742
Net assets per balance sheet		<u>2,550</u>	<u>3,857</u>	<u>6,424</u>

## 2. Turnover

Turnover is analysed as follows:

	Year ended 31 December			9 months ended
	1992	1993	1994	30 September 1995
	£'000	£'000	£'000	£'000
Operations continuing throughout period under review	5,299	6,522	8,324	6,886
Acquisitions	1,079	5,493	5,663	5,012
Acquisitions in 1992	—	3,126	5,664	4,912
Acquisitions in 1993	—	—	1,191	3,115
Acquisitions in 1994	—	—	—	780
Acquisitions in 1995	1,079	8,619	12,518	13,819
Total continuing operations	6,378	15,141	20,842	20,705

## 3. Cost of sales

	Year ended 31 December			9 months ended
	1992	1993	1994	30 September 1995
	£'000	£'000	£'000	£'000
Operations continuing throughout period under review	3,341	4,251	5,452	3,815
Acquisitions	794	3,862	4,128	3,788
Acquisitions in 1992	—	2,451	4,456	3,657
Acquisitions in 1993	—	—	779	2,184
Acquisitions in 1994	—	—	—	461
Acquisitions in 1995	794	6,313	9,363	10,090
Total continuing operations	4,135	10,564	14,815	13,905

## 4. Gross profit

	Year ended 31 December			9 months ended
	1992	1993	1994	30 September 1995
	£'000	£'000	£'000	£'000
Operations continuing throughout period under review	1,958	2,271	2,872	3,071
Acquisitions	285	1,631	1,535	1,224
Acquisitions in 1992	—	675	1,208	1,255
Acquisitions in 1993	—	—	412	931
Acquisitions in 1994	—	—	—	319
Acquisitions in 1995	285	2,306	3,155	3,729
Total continuing operations	2,243	4,577	6,027	6,800

## 5. Administrative expenses

	Year ended 31 December			9 months ended 30 September 1995
	1992 £'000	1993 £'000	1994 £'000	1995 £'000
Operations continuing throughout period under review	1,802	2,163	2,631	2,691
Acquisitions				
Acquisitions in 1992	173	951	974	695
Acquisitions in 1993	—	555	1,370	1,002
Acquisitions in 1994	—	—	166	473
Acquisitions in 1995	—	—	—	238
	173	1,506	2,510	2,408
Total continuing operations	1,975	3,669	5,141	5,099

## 6. Operating profit

(a) Operating profit is analysed as follows:

	Year ended 31 December			9 months ended 30 September 1995
	1992 £'000	1993 £'000	1994 £'000	1995 £'000
Operations continuing throughout period under review	156	108	241	380
Acquisitions				
Acquisitions in 1992	112	680	561	529
Acquisitions in 1993	—	120	(162)	253
Acquisitions in 1994	—	—	246	458
Acquisitions in 1995	—	—	—	81
	112	800	645	1,321
Total continuing operations	268	908	886	1,701

(b) Operating profit is stated after charging:

Depreciation:				
— owned tangible fixed assets	95	302	448	512
— tangible fixed assets held under finance lease agreements	21	43	47	42
Directors' emoluments (note 7)	170	294	282	282
Staff costs (note 8)	1,891	4,479	6,484	6,076
Operating leases and rentals:				
— plant and machinery	30	76	110	102
— land and buildings	98	130	171	128
Auditors' remuneration:				
— as auditors	14	19	29	41
— other services	4	4	5	3

## 7. Directors' emoluments

	Year ended 31 December			9 months ended
	1992	1993	1994	30 September
	£'000	£'000	£'000	1995
				£'000
<i>Non-executive directors</i>				
Fees	—	6	8	6
<i>Executive directors' remuneration</i>				
Salaries	170	288	242	204
Benefits	n/a	n/a	25	12
Pension contributions	—	—	7	27
Bonus payments	n/a	n/a	—	33
	<u>170</u>	<u>294</u>	<u>282</u>	<u>282</u>

Details of benefits and bonus payments were not required to be disclosed for the years ended 31 December 1992 and 1993.

Directors' emoluments (excluding pension contributions) include amounts paid in respect of:

The chairman	58	79	93	90
The highest paid director	<u>56</u>	<u>126</u>	<u>96</u>	<u>91</u>

The number of directors who received fees and other emoluments (excluding pension contributions) in the following ranges was:

	Number	Number	Number	Number
£ 0 to £ 5,000	—	1	2	2
£ 5,001 to £10,000	—	2	1	1
£40,001 to £45,000	1	—	—	—
£45,001 to £50,000	—	—	—	1
£55,001 to £60,000	<u>1</u>	<u>1</u>	<u>1</u>	<u>—</u>

## 8. Staff costs

	Year ended 31 December			9 months ended
	1992	1993	1994	30 September
	Number	Number	Number	1995
				Number
Average weekly number of persons (including executive directors) employed by the Pentre Group	<u>138</u>	<u>307</u>	<u>417</u>	<u>469</u>
	£'000	£'000	£'000	£'000
Staff costs for the above persons (including directors' emoluments):				
Wages and salaries	1,726	4,133	5,964	5,582
Social security costs	153	334	512	382
Contributions to pension schemes (note 31)	12	12	8	112
	<u>1,891</u>	<u>4,479</u>	<u>6,484</u>	<u>6,076</u>

**9. Interest payable**

	Year ended 31 December			9 months ended
	1992	1993	1994	30 September
	£'000	£'000	£'000	1995
				£'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	229	386	492	475
Hire purchase and lease interest	16	30	36	37
	<u>245</u>	<u>416</u>	<u>528</u>	<u>512</u>
Less interest received:				
Bank interest	(3)	(1)	—	(3)
Corporation tax supplement	(3)	(1)	—	—
	<u>239</u>	<u>414</u>	<u>528</u>	<u>509</u>

**10. Taxation on profit on ordinary activities**

	Year ended 31 December			9 months ended
	1992	1993	1994	30 September
	£'000	£'000	£'000	1995
				£'000
United Kingdom corporation tax on profit on ordinary activities	4	40	2	258
Overseas taxation	—	—	34	89
Transfer to/(from) deferred taxation	4	93	(4)	29
Adjustment in respect of prior periods	(8)	(4)	(24)	—
	<u>—</u>	<u>129</u>	<u>8</u>	<u>376</u>

The tax charge in the year ended 31 December 1994 is low as certain overseas companies were able to offset profits against losses, brought forward for tax purposes, which arose prior to their acquisition by the Pentre Group.

**11. Dividends and appropriations**

Dividends and appropriations in the nine months ended 30 September 1995 comprise:

	£'000
Provision for accrued preference dividends:	
— half-yearly dividend	26
— roll-up dividend	26
	<u>52</u>
Appropriation for premiums payable on redemption of preference shares	12
	<u>64</u>



**12. Tangible fixed assets**

	Land and buildings £'000	Plant machinery and vehicles £'000	Total £'000
<b>(a) At cost or valuation</b>			
At 1 January 1993	1,701	2,213	3,914
Additions	28	465	493
Subsidiary undertakings acquired	777	1,167	1,944
Disposals	—	(63)	(63)
Adjustment for fully depreciated assets	—	(57)	(57)
At 1 January 1994	2,506	3,725	6,231
Additions	47	579	626
Subsidiary undertakings acquired	1,592	1,661	3,253
Subsidiary undertakings disposed	—	(2)	(2)
Disposals	—	(17)	(17)
Adjustment for fully depreciated assets	—	(29)	(29)
At 1 January 1995	4,145	5,917	10,062
Exchange rate adjustment	242	228	470
Additions	125	562	687
Subsidiary undertakings acquired	1,100	3,304	4,404
Disposals	—	(87)	(87)
At 30 September 1995	5,612	9,924	15,536
<b>(b) Depreciation</b>			
At 1 January 1993	22	406	428
Charge for year	29	316	345
Subsidiary undertakings acquired	29	144	173
Disposals	—	(36)	(36)
Adjustment for fully depreciated assets	—	(56)	(56)
At 1 January 1994	80	774	854
Charge for year	37	458	495
Subsidiary undertakings disposed	—	(1)	(1)
Disposals	—	(12)	(12)
Adjustment for fully depreciated assets	—	(29)	(29)
At 1 January 1995	117	1,190	1,307
Exchange rate adjustment	5	27	32
Charge for period	56	498	554
Subsidiary undertakings acquired	—	1,655	1,655
Disposals	—	(26)	(26)
At 30 September 1995	178	3,344	3,522
<b>(c) Net book amount</b>			
At 30 September 1995	5,434	6,580	12,014
At 31 December 1994	4,028	4,727	8,755
At 31 December 1993	2,426	2,951	5,377
At 31 December 1992	1,679	1,807	3,486

**(d) Analysis of cost or valuation (including fair value on acquisition) at 30 September 1995**

	Land and buildings £'000	Plant machinery and vehicles £'000	Total £'000
At valuation 1988	—	94	94
At valuation 1989	—	229	229
At valuation 1990	1,887	—	1,887
At valuation 1992	1,100	784	1,884
At valuation 1993	777	911	1,688
At valuation 1994	190	1,676	1,866
At valuation 1995	1,100	3,265	4,365
At cost	558	2,965	3,523
	<u>5,612</u>	<u>9,924</u>	<u>15,536</u>

**(e) Asset revaluations****1990**

The Pentre Group's freehold land and buildings were revalued on 19 October 1990 by Messrs. Eddison Surveyors and Valuers, using the open market valuation for existing use basis. The valuation was incorporated in the valuation of the assets acquired on acquisition.

**1992**

The Pentre Group's long leasehold land and buildings acquired during 1992 were valued on 28 August 1992 by Messrs. Edward Rushton Sons & Kenyon, Surveyors and Valuers, using the open market valuation for existing use basis. This valuation was incorporated in the balance sheet at 31 December 1992 and the resulting surplus of £633,639 was credited to the revaluation reserve.

The Pentre Group's freehold land and buildings were also re-appraised and a professional valuer confirmed that there had been no diminution in value since the 1990 valuation.

The directors carried out a revaluation exercise on the plant and machinery of the business acquired using expert assistance. The valuation was based upon the net depreciated replacement cost basis and the resulting surplus of £325,740 was credited to the revaluation reserve.

**1994**

As part of the fair value procedure, certain fixed assets of undertakings acquired were the subject of formal valuations. The freehold property at Blackburn was revalued by Messrs. APP Chartered Surveyors. The plant at Meltech-Larnmuth and at Siipola OY was revalued by the directors with expert assistance. The basis of the valuations was open market value for existing use.

**1995**

As part of the fair value procedure, certain fixed assets of undertakings acquired were the subject of formal valuations. The freehold property at Wigan was revalued by Messrs. Edward Symmons and Partners in July 1995, and the plant at Industrial Reels Limited were revalued by the directors by reference to a valuation exercise undertaken by Messrs. Rushtons in May 1994. The basis of the valuations was open market value for existing use.

**(f) Analysis of land and buildings**

	At 31 December 1993 £'000	At 30 September 1994 £'000	At 30 September 1995 £'000
Freehold	1,232	2,810	4,122
Long leasehold	1,092	1,101	1,209
Short leasehold	102	117	103
	<u>2,426</u>	<u>4,028</u>	<u>5,434</u>

**12. Tangible fixed assets (continued)****(g) Historical cost of land and buildings**

	At 31 December		At 30 September
	1993	1994	1995
	£'000	£'000	£'000
Historical cost	1,391	1,826	2,467
Depreciation based on historical cost	(41)	(59)	(324)
Net historical cost	<u>1,350</u>	<u>1,767</u>	<u>2,143</u>

**(h) Assets held under finance leases**

The net book value of tangible fixed assets includes £529,000 (1994: £264,000); (1993: £288,000) in respect of assets held under finance leases.

**13. Stocks**

	At 31 December		At 30 September
	1993	1994	1995
	£'000	£'000	£'000
Raw materials	630	1,220	1,700
Work in progress and finished goods	630	759	1,997
	<u>1,260</u>	<u>1,979</u>	<u>3,697</u>

**14. Debtors**

	At 31 December		At 30 September
	1993	1994	1995
	£'000	£'000	£'000
Due within one year:			
Trade debtors	3,370	4,185	4,907
Other debtors	120	209	380
Prepayments and accrued income	154	169	438
	<u>3,644</u>	<u>4,563</u>	<u>5,725</u>
Due after more than one year:			
Other debtors	—	66	—
	<u>3,644</u>	<u>4,629</u>	<u>5,725</u>

**15. Creditors: amounts falling due within one year**

	At 31 December		At 30 September
	1993	1994	1995
	£'000	£'000	£'000
Bank loans and overdrafts (see note 17)	385	967	2,316
Other loans	—	12	17
Invoice discounting loans (see note 17)	1,598	2,214	1,976
Deferred consideration	—	169	104
Vendor loans (see note 17)	250	—	—
Obligations under finance leases	82	76	152
Deposits in advance	126	181	231
Trade creditors	2,610	3,470	3,973
Corporation tax	49	41	438
Other taxation and social security	351	426	564
Other creditors	53	6	41
Accruals and deferred income	347	516	876
	<u>5,851</u>	<u>8,078</u>	<u>10,688</u>

The deferred consideration at 31 December 1994 related to the acquisition of Siipola OY; the balance at 30 September 1995 related to the acquisition of IR Holdings Limited.

Invoice discounting loans are secured by an equitable assignment over the composite amount due from trade debtors.

16. Creditors: amounts falling due after more than one year

	At 31 December 1993 £'000	1994 £'000	At 30 September 1995 £'000
Bank loans (see note 17)	1,616	2,466	2,368
Other loans (see note 17)	—	158	227
Provision for contingent consideration (see note 30 (d) (ii))	—	200	610
Obligations under finance leases	117	89	203
Other creditors	20	13	—
	<u>1,753</u>	<u>2,926</u>	<u>3,408</u>

17. Borrowings repayable by instalments

	At 31 December 1993 £'000	1994 £'000	At 30 September 1995 £'000
<b>Falling due within one year:</b>			
Bank loans	72	387	1,354
Other loans	—	12	17
Vendor loans	250	—	—
Obligations under finance leases	82	76	152
	<u>404</u>	<u>475</u>	<u>1,523</u>
<b>Between one and two years:</b>			
Bank loans	76	398	529
Other loans	—	12	17
Obligations under finance leases	56	55	111
<b>Between two and five years:</b>			
Bank loans	250	995	773
Other loans	—	36	51
Obligations under finance leases	61	34	92
<b>After more than five years:</b>			
Bank loans	1,290	1,073	1,066
Other loans	—	110	159
	<u>1,733</u>	<u>2,713</u>	<u>2,798</u>
<b>Total repayable by instalments</b>	<u>2,137</u>	<u>3,188</u>	<u>4,321</u>

The bank loans and overdrafts are secured by fixed and floating charges over the Pentre Group's assets.

Vendor's loans were secured by a second legal charge on the Pentre Group's long leasehold property.

Approximately half of the bank and other loans are denominated in sterling and bear variable interest rates linked to LIBOR. These loans were repayable in monthly instalments over periods extending to May 2009. In December 1995, with effect from 1 January 1996, Pentre entered into a new 10 year loan to replace these loans and the invoice discounting loans referred to in note 15: the new loan is in the principal sum of £4,500,000, bears an annual interest rate at 2 per cent over the bank's base rate and the principal is repayable in equal monthly instalments. The remaining bank and other loans are denominated principally in Danish Kroner and Finnish Markka, bear fixed interest rates varying between 6.5 per cent and 10.6 per cent and are repayable over periods extending to 2012.

18. Deferred taxation

	Year ended 31 December 1993 £'000	1994 £'000	9 months ended 30 September 1995 £'000
Provision made	234	397	661
At beginning of period	93	(4)	29
Transfer from/(to) profit and loss account	69	269	350
Arising on acquisition of businesses (note 30)	1	(1)	30
Exchange differences	—	—	—
At end of period	<u>397</u>	<u>661</u>	<u>1,070</u>
<b>Total potential liability</b>	<u>397</u>	<u>720</u>	<u>1,221</u>

The provision made and the potential liability relate to accelerated capital allowances on plant and machinery. The provision and the potential liability and provision are based on corporation tax rates of 25 per cent to 33 per cent. The potential liability for deferred taxation on the difference between the net book amounts of land and building and their taxable values is not quantified as it is considered no timing difference will crystallise as the directors of Pentre have no intention to dispose of the related assets.

## 19. Share capital

	At 31 December		At 30 September
	1993	1994	1995
	£'000	£'000	£'000
<b>Authorised</b>			
1,674,800 9.56% cumulative redeemable preference shares of £1 each	—	—	1,675
11,000 (1994: 11,000; 1993 and 1992: 10,000) ordinary shares of 10p each	1	1	1
5,813 (1994, 1993 and 1992 : 5,000) preferred ordinary shares of 10p each	1	1	1
	<u>2</u>	<u>2</u>	<u>1,677</u>
<b>Issued, called up and fully paid</b>			
1,674,800 9.56% cumulative redeemable preference shares of £1 each	—	—	1,675
10,000 (1994, 1993 and 1992 – 10,000) ordinary shares of 10p each	1	1	1
5,813 (1994 and 1993 – 5,000; 1992 – nil) preferred ordinary shares of 10p each	1	1	1
	<u>2</u>	<u>2</u>	<u>1,677</u>

On 10 March 1993, 5,000 preferred ordinary shares of 10p each were issued at a premium of £199.90 per share. The proceeds were used to fund the cash consideration paid on the acquisition of Heas A/S and to provide additional working capital.

On 4 August 1995, 1,674,800 9.56 per cent cumulative redeemable preference shares of £1 each were issued at par and 813 preferred ordinary shares were issued at a total premium of £324,387. The proceeds of £2,000,000 were used to fund the cash consideration paid on the acquisition of IR Holdings Limited.

### Rights of cumulative redeemable preference shares ("preference shares")

The following information has not been revised to take account of amendments to the rights of the preference shares made in connection with the proposed acquisition. Details of such amendments are set out in paragraph 6(b) of Part VII of said listing particulars.

#### (a) Dividends

In priority to payment of any dividend to holders of preferred ordinary shares and ordinary shares, each preference share has:

- the right to receive a fixed cumulative preferential dividend of 9.56p per annum payable in two equal instalments on 30 June and 31 December in each year, the first such payment being on 31 December 1995 in respect of the period from the date of issue to 31 December 1995; and
- the right to receive a further fixed cumulative preferential dividend of 9.56p per annum payable on the redemption date together with interest thereon at a rate of 20 per cent per annum.

#### (b) Capital

On distribution on a liquidation or otherwise, the holder shall have priority to all other shareholders to be paid out of the surplus assets of Pentre remaining after payment of its liabilities the subscription price for the preference shares, and the redemption premium together with a sum equal to any arrears, calculated to the date of the return of capital.

#### (c) Redemption

All of the preference shares shall be redeemed at a premium at 19.42p per preference share immediately upon the earlier of the following dates:

- the date upon which any of the equity share capital of Pentre is admitted to the Official List of the London Stock Exchange or permission for any of the equity share capital of Pentre to be dealt in on the Alternative Investment Market or any other recognised investment exchange (as defined in section 207 of the Financial Services Act 1986) becomes effective;

(ii) the date upon which a successful offer to purchase 90 per cent or more of all equity share capital of Pentre or Pentre Group Limited (or 90 per cent or more of all such capital including any already held by the offeror) is completed;

(iii) on 31 December 1999.

Upon the redemption date the amount paid up or credited as paid up on each such preference dividend and the roll-up dividend payable on them (whether earned or declared or not) calculated to and including the redemption date shall become a debt due and payable by Pentre to the holders of the relevant preference shares.

(d) Voting in general meetings:

The holders of the preference shares are entitled to receive notice of, to attend but not vote at general meetings of Pentre unless the preference dividend, roll-up dividend or capital or any one of them remains unpaid for more than 6 months from the dividend date and each preference share shall have one vote.

### Rights of preferred ordinary shares

*The preferred ordinary shares are to be acquired pursuant to the proposed acquisition; it is intended that they will be converted into ordinary shares of Pentre upon completion of the proposed acquisition.*

(a) Dividend

- (i) until 31 December 1998, the preferred ordinary shares rank *pari passu* in all respects as to dividend with the ordinary shares;
- (ii) from 1 January 1999, Pentre shall, in priority to payment of any dividend to holders of ordinary shares, pay to the holders of the preferred ordinary shares a fixed cumulative preferential dividend equal to 15 per cent of the net profit (as defined in the article) for each financial year commencing with the financial year beginning in 1998 up to a maximum dividend payment to the holders of the preferred ordinary shares of £500,000 in each financial year of Pentre;
- (iii) from 1 January 1999, the holders of the preferred ordinary shares shall be entitled after payment of the preferred dividend to share *pari passu* and *pro rata* with the holders of the ordinary shares.

(b) Capital

On a return of assets on a liquidation, reduction of capital or otherwise, the holders of the preferred ordinary shares shall be entitled (in proportion to the number of preferred ordinary shares held by each of them), in priority to ordinary shareholders:

- (i) to be paid out of the surplus assets of Pentre remaining after payment of its liabilities the subscription price for the preferred ordinary shares, together with a sum equal to any arrears calculated down to the date of the return of capital; and
- (ii) thereafter the preferred ordinary shares shall rank *pari passu* in all respects as to capital with the ordinary shares after the holders of the ordinary shares have received the subscription price for the ordinary shares.

(c) Voting in general meetings:

The holders of the preferred ordinary shares shall be entitled to receive notice of, to attend and vote at general meetings of Pentre and on a poll each preferred ordinary share shall entitle the holder of it to one vote.

### Executive Share Option Scheme

On 24 November 1994 the Executive Share Option Scheme was approved by the directors and as at 31 December 1994 and 30 September 1995 options outstanding and capable of being exercised in respect of grants made under the scheme were as follows:

Option exercise period	Ordinary shares under option	Option price
	Number	£
Up to 31 December 2001	450	400

No options were exercised in the periods ended 31 December 1994 or 30 September 1995. The Executive Share Option Scheme was terminated on 19 December 1995.

**20. Share premium**

	Year ended 31 December			9 months ended
	1992	1993	1994	30 September
	£'000	£'000	£'000	1995
				£'000
At beginning of period	—	—	892	892
Premium on shares	—	999	—	325
Costs of share issue	—	(107)	—	(5)
At end of period	<u>—</u>	<u>892</u>	<u>892</u>	<u>1,212</u>

**21. Revaluation reserve**

	Year ended 31 December			9 months ended
	1992	1993	1994	30 September
	£'000	£'000	£'000	1995
				£'000
At beginning of period	—	849	795	751
Transfer to profit and loss account of realised surplus (note 23)	—	(54)	(44)	(34)
Surplus arising on revaluation of:				
Buildings and freehold land	633	—	—	—
Plant and machinery	326	—	—	—
Related deferred tax	(110)	—	—	—
At end of period	<u>849</u>	<u>795</u>	<u>751</u>	<u>717</u>

**22. Other reserve**

	Year ended 31 December			9 months ended
	1992	1993	1994	30 September
	£'000	£'000	£'000	1995
				£'000
At beginning of period	750	687	713	1,204
Goodwill on acquisitions and additional consideration (note 30)	(63)	26	428	(522)
Goodwill written back on disposal of business	—	—	63	—
At end of period	<u>687</u>	<u>713</u>	<u>1,204</u>	<u>682</u>

The other reserve represents goodwill and reserves arising on acquisitions by the Pentre Group.

**23. Profit and loss account**

	Year ended 31 December			9 months ended
	1992	1993	1994	30 September
	£'000	£'000	£'000	1995
				£'000
At beginning of period	(300)	(271)	148	498
Exchange rate adjustment	—	—	—	227
Profit retained for the financial period	29	365	306	680
Transfer on realisation of surplus on revaluation of freehold land and buildings in previous year less corporation tax	—	54	44	34
Non-equity appropriations (note 11)	—	—	—	64
At end of period	<u>(271)</u>	<u>148</u>	<u>498</u>	<u>1,503</u>

## 24. Reconciliation of movements in shareholders' funds

	Year ended 31 December			9 months ended
	1992	1993	1994	30 September
	£'000	£'000	£'000	1995
				£'000
Profit retained for financial period	29	365	306	680
Exchange difference in respect of net investment in foreign enterprises	—	—	—	227
Shares issued net of costs	—	893	—	1,995
Consolidation reserve/(goodwill) arising on acquisition of new businesses	(63)	26	428	(522)
Goodwill transfer in respect of businesses sold during the period	—	—	63	—
Surplus on revaluation of fixed assets	849	—	—	—
Appropriations in respect of non-equity shares	—	—	—	64
	<u>815</u>	<u>1,284</u>	<u>797</u>	<u>2,444</u>
Opening shareholders' funds	<u>451</u>	<u>1,266</u>	<u>2,550</u>	<u>3,347</u>
Closing shareholders' funds	<u>1,266</u>	<u>2,550</u>	<u>3,347</u>	<u>5,791</u>

## 25. Movements in equity and non-equity shareholders funds

The movements in the period ended 30 September 1995 were:

	Equity	Non-equity	Total
	£'000	£'000	£'000
At 1 January 1995	3,347	—	3,347
Exchange rate adjustment	227	—	227
Shares issued net of costs	320	1,675	1,995
Retained profit for the period	680	—	680
Appropriations in the period	—	64	64
Goodwill on acquisition	(522)	—	(522)
At 30 September 1995	<u>4,052</u>	<u>1,739</u>	<u>5,791</u>
Comprising:			
Share capital	2	1,675	1,677
Share premium	1,212	—	1,212
Other reserves	1,399	—	1,399
Profit and loss account	1,439	64	1,503
	<u>4,052</u>	<u>1,739</u>	<u>5,791</u>

## 26. Minority interests

	Year ended	9 months ended
	31 December	30 September
	1994	1995
	£'000	£'000
At beginning of period	—	510
Exchange rate adjustment	—	51
Share of profit for the period	44	72
Share of net assets at acquisition	466	—
At end of period	<u>510</u>	<u>633</u>



## 27. Net cash inflow from operating activities

	Year ended 31 December			9 months ended 30 September
	1992	1993	1994	1995
	£'000	£'000	£'000	£'000
Operating profit	268	908	886	1,701
Depreciation of tangible fixed assets	116	345	495	554
(Profit)/loss on sale of fixed assets	25	(17)	(18)	(60)
(Increase) in stocks	(77)	(374)	(556)	(1,070)
Decrease/(increase) in debtors	358	(1,172)	(852)	(164)
Increase in creditors	478	1,368	1,299	(6)
Net cash inflow from operating activities	<u>1,168</u>	<u>1,058</u>	<u>1,254</u>	<u>955</u>

## 28. Changes in cash and cash equivalents

	Year ended 31 December			9 months ended 30 September
	1992	1993	1994	1995
	£'000	£'000	£'000	£'000
Balance brought forward	(700)	536	(43)	(421)
Net cash inflow/(outflow)	1,236	(579)	(378)	(414)
Effect of exchange rate changes	—	—	—	27
Balance carried forward	<u>536</u>	<u>(43)</u>	<u>(421)</u>	<u>(808)</u>
Comprising:				
Cash in hand and at bank	712	270	159	154
Bank overdraft	(176)	(313)	(580)	(962)
	<u>536</u>	<u>(43)</u>	<u>(421)</u>	<u>(808)</u>

## 29. Analysis of changes of financing

	Year ended 31 December 1992		Year ended 31 December 1993		Year ended 31 December 1994		9 months ended 30 September 1995	
	Share capital and premium £'000	Loans and obligations under finance leases £'000	Share capital and premium £'000	Loans and obligations under finance leases £'000	Share capital and premium £'000	Loans and obligations under finance leases £'000	Share capital and premium £'000	Loans and obligations under finance leases £'000
At beginning of period	1	130	1	1,869	894	2,137	894	3,188
Cash inflow/(outflow) from financing	—	1,719	893	(724)	—	260	—	715
Inception of new finance leases	—	20	—	188	—	24	—	276
Borrowings of acquired company	—	—	—	804	—	723	—	—
Finance lease obligations of acquired company	—	—	—	—	—	—	—	142
Exchange differences	—	—	—	—	—	44	—	—
At end of period	<u>1</u>	<u>1,869</u>	<u>894</u>	<u>2,137</u>	<u>894</u>	<u>3,188</u>	<u>2,889</u>	<u>4,321</u>

**30. Analysis of businesses acquired**

The following analysis relates to all businesses acquired by the Pentre Group in the period 1 January 1992 to 30 September 1995, including those detailed in the Introduction to this report.

**(a) 1992**

	£'000
Fixed assets	874
Current assets	1,336
Current liabilities	(838)
	<u>1,372</u>
Consideration	(1,435)
Goodwill on consolidation	<u>(63)</u>

**(b) 1993**

	Net assets acquired £'000	Fair value adjustments £'000	Integration costs £'000	Adjusted net assets £'000
Fixed assets	1,412	359	—	1,771
Current assets	678	—	—	678
Current liabilities	(522)	—	—	(522)
Bank loans	(804)	—	—	(804)
Provisions	—	—	(115)	(115)
Deferred taxation	—	(69)	—	(69)
	<u>764</u>	<u>290</u>	<u>(115)</u>	<u>939</u>
Purchase consideration				(913)
Other reserve arising on acquisition				<u>26</u>

Provisions for integration of acquired businesses amounting to £115,000 were established in the year. During the year £96,000 was utilised and at the year end an amount of £19,000 was carried forward.

**(c) 1994**

	Net assets acquired £'000	Fair value adjustments £'000	Integration costs £'000	Adjusted net assets £'000
Fixed assets	2,110	1,144	—	3,254
Current assets	532	(99)	—	433
Current liabilities	(596)	(35)	—	(631)
Bank and other loans	(723)	—	—	(723)
Provisions	—	—	(45)	(45)
Deferred taxation	—	(269)	—	(269)
	<u>1,323</u>	<u>741</u>	<u>(45)</u>	<u>2,019</u>
Attributable to minorities				(466)
Purchase consideration				
— paid in cash				(514)
— deferred consideration				(169)
— provision for contingent consideration (see (d)(ii) below)				(200)
— acquisition and integration costs				(242)
				<u>(1,125)</u>
Other reserve arising on acquisition				<u>428</u>

Provisions for integration of acquired businesses amounting to £45,000 were established in the year. The provision brought forward amounted to £19,000 and during the year a total of £49,000 was utilised and at the year end an amount of £15,000 was carried forward.

**30. Analysis of businesses acquired (continued)**  
**(d) 1995**

	Net assets (see (i) below) £'000	Fair value adjustments £'000	Adjusted net assets £'000
Fixed assets	1,923	826	2,749
Current assets	1,587	—	1,587
Current liabilities	(1,271)	—	(1,271)
Deferred taxation	(127)	(223)	(350)
	<u>2,112</u>	<u>603</u>	<u>2,715</u>
Purchase consideration			(2,540)
— paid in cash			(104)
— deferred consideration			(151)
— acquisition costs			(2,795)
			<u>(80)</u>
Goodwill arising on current period acquisition			
Prior year acquisitions			
— increase in provision for contingent consideration (see (ii) below)			(410)
— additional expenses paid			(32)
Total goodwill arising in the period			<u>(522)</u>

- (i) On 4 August 1995 Pentre acquired 100 per cent of the share capital of IR Holdings Limited. The cost of the acquisition was £2,695,000 comprising purchase consideration of £2,544,000 (satisfied by cash consideration of £2,440,000 and deferred consideration of £104,000) and acquisition expenses of £151,000. The net assets acquired were £2,012,000 which, after fair value adjustments of £603,000, resulted in goodwill on consolidation of £80,000 which was written off against the acquisition reserve.

The trading results of IR Holdings Limited (and its subsidiary Industrial Reels Limited) in the three years ended 31 March 1995 and the period from 1 April 1995 to 4 August 1995 are set out in the Accountants' Report in Part IV of said listing particulars.

- (ii) On the acquisition of Siipola OY, Pentre entered into an agreement with the former shareholders in respect of contingent consideration which is to be calculated based upon the level of profits achieved by Siipola OY in respect of the five year period ending July 1999. In the accounts to 31 December 1994 a provision of £200,000 was made being the directors' estimates of the total amounts payable. In the period ended 30 September 1995, the directors reconsidered their estimates in light of subsequent trading and forecasts and increased the provision to an amount equal to the net present value at 30 September 1995 of the maximum amount of contingent consideration payable.
- (iii) Provisions for integration of acquired businesses brought forward amounted to £16,000 and during the period these were fully utilised.
- (e) An analysis of the net outflow of cash in respect of businesses acquired is as follows:

	Year ended 31 December			9 months ended 30 September 1995
	1992 £'000	1993 £'000	1994 £'000	1995 £'000
Cash balance acquired	—	24	—	—
Bank overdrafts of acquired businesses	—	(147)	(57)	(346)
Consideration paid in cash	(1,435)	(773)	(514)	(2,572)
Acquisition and integration costs	—	(140)	(242)	(151)
	<u>(1,435)</u>	<u>(1,036)</u>	<u>(813)</u>	<u>(3,069)</u>
Payment of deferred consideration in respect of prior year acquisition	—	—	—	(178)
	<u>(1,435)</u>	<u>(1,036)</u>	<u>(813)</u>	<u>(3,247)</u>

**31. Pension schemes**

Pentre operated a defined benefit scheme but has made new pension provision arrangements for employees on a defined contribution basis.

The existing defined benefit scheme will be wound up and previously accrued benefits transferred into the defined contribution scheme. Contributions to the old scheme were discontinued in August 1994 on the commencement of the new scheme. Accrued benefits under the defined benefit scheme will be transferred to the defined contribution scheme as soon as possible.

The assets of the defined benefit scheme covering certain employees, are held under self-administered trust funds which are separate from the Pentre Group's assets.

The contributions to the old scheme were determined by a qualified actuary on the basis of triennial valuations using the attained age method and the principal assumptions adopted in the valuation were that the plan investments would yield an average return of 10 per cent per annum and the future salary increases would average 7.5 per cent per annum. The most recent valuation undertaken on 16 August 1993 showed that the market value of the scheme's assets is £1,652,000 and that the actuarial value of those assets represented 140 per cent of the benefits that had accrued to members, after allowing for expected future increases in earnings.

**32. Capital expenditure**

	At 31 December 1993 £'000	1994 £'000	At 30 September 1995 £'000
Outstanding contracts placed	63	—	145
Authorised by the directors but contracts not placed	179	413	203
Obligation to purchase property (see below)	540	540	540

The property to which the obligation relates was purchased in November 1995.

**33. Commitments**

The Pentre Group had annual commitments under non-cancellable operating leases as follows:

	At 31 December 1993		At 31 December 1994		At 30 September 1995	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiring in first year	—	53	35	10	—	30
Expiring in second to fifth years	50	29	11	37	11	107
Expiring after more than five years	120	—	129	—	129	3
	170	82	175	47	140	140

**34. Transactions with directors**

During 1992 Pentre made a loan to Mr. M. F. Seymour, a director. This loan was contrary to section 330(2) of the Companies Act 1995. The maximum amount outstanding during the year was £15,883. At 31 December 1992 the balance outstanding was £1,084. The maximum amount outstanding during 1993 was £25,000 and at 31 December 1993 the balance outstanding was £nil.

Mr. J. V. Carr, a partner in the JVC Partnership, provided consultancy services during 1993 in the period prior to his appointment as a director to the value of £30,000.

**35. Contingent liabilities**

There is deferred consideration outstanding in respect of the acquisition of Siipola OY which is to be computed with reference to future profitability and is payable in two instalments in 1997 and 1999. The balance sheet at 30 September 1995 includes a provision of FIM 4,115,000 (£610,000) which is the directors' calculation of the net present value of the maximum amount of FIM 5,000,000 (£741,000) which may be payable.

**36. Post balance sheet events**

- (i) In November 1995, the Pentre Group exercised an option to acquire the remaining 25 per cent of the issued share capital of Siipola OY for a cash consideration of FIM 1,350,000 (£200,000).
- (ii) In November 1995, the Pentre Group purchased a property at Knowsley for a cash consideration of £540,000 (the obligation to make such purchase being disclosed in note 32 above).

Yours faithfully

Coopers & Lybrand"

**PART IV****ACCOUNTANTS' REPORT ON INDUSTRIAL REELS**

The following is the text of a report received from Solomon Hare, Chartered Accountants and Registered Auditors:



**SOLOMON HARE**  
CHARTERED ACCOUNTANTS

Oakfield House, Oakfield Grove, Clifton, Bristol BS8 2BN  
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The Directors and Proposed Directors  
Thomas Locker (Holdings) plc  
Church Street  
Warrington  
Cheshire  
WA1 2SU

The Directors  
Henry Cooke Corporate Finance Ltd  
No. 1 King Street  
Manchester  
M2 6AW

20 December 1995

Dear Sirs

We report in connection with the Listing Particulars of Thomas Locker (Holdings) plc ("Thomas Locker") dated 20 December 1995 in connection with the proposed acquisition of Pentre (Holdings) Limited ("Pentre") by Thomas Locker.

On 4 August 1995, Pentre Group Limited, a wholly owned subsidiary of Pentre, acquired the whole of the issued share capital of IR Holdings Limited ("Industrial Reels" or "the Company"). This report has been prepared in connection with that acquisition.

We have examined the consolidated audited accounts prepared by Industrial Reels for the three years ended 31 March 1995 and the unaudited accounts for the period ended 4 August 1995. Our work has been carried out in accordance with the Auditing Guideline: "Prospectuses and the reporting accountant".

The accounts of Industrial Reels for the three years ended 31 March 1995 were audited by Touche Ross & Co., Chartered Accountants and Registered Auditors. The auditors reported without qualification in respect of each financial year. Accounts for the period 1 April 1995 to 4 August 1995 have been prepared but are unaudited. Audited accounts have not been prepared for any period subsequent to 31 March 1995.

The financial information set out below is based upon the consolidated accounts of Industrial Reels, after making such adjustments as we consider necessary. In order to arrive at our opinion on the unaudited accounts for the period ended 4 August 1995 we have accordingly carried out such additional procedures as we consider necessary.

In our opinion, the financial information set out below gives, for the purpose of the Listing Particulars dated 20 December 1995, a true and fair view of the consolidated results, total recognised gains and losses and cash flows of Industrial Reels for the three years ended 31 March 1995 and the period 1 April 1995 to 4 August 1995 and of the state of affairs of Industrial Reels at the end of each of those periods.

### **Accounting policies**

The following accounting policies have been consistently applied in arriving at the financial information set out below:

#### **Accounting convention**

The financial information is prepared under the historical cost convention modified to incorporate the revaluation of freehold land and buildings and tooling equipment.

#### **Basis of consolidation**

The financial information consolidates the accounts of the Company and its subsidiary. Profits arising on trading between group companies are excluded. All companies within the group make up their accounts to the same date.

#### **Tangible fixed assets**

Depreciation is provided on cost or valuation in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Freehold land	Nil
Freehold buildings	2.5 per cent
Plant and machinery and motor vehicles	at appropriate rates varying from 4 per cent to 25 per cent

#### **Investments**

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

#### **Stocks**

Stocks and work-in-progress are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and production overheads appropriate to the relevant stage of production. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

#### **Government grants**

Grants received in respect of tangible fixed assets are treated as a deferred credit and are released to the profit and loss account in equal instalments over the estimated useful life of the assets concerned.

#### **Deferred taxation**

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

***Leases***

Assets obtained under finance leases and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Operating lease rentals are charged to income in equal amounts over the lease term.

***Pension costs***

The Company operates two pension schemes, a defined benefit scheme covering both the directors and employees of the Company, and a defined contribution scheme covering the directors only.

For the defined contribution scheme, contributions payable to the pension scheme are charged to the profit and loss account in the period in which they are payable.

Contributions payable under the defined benefit scheme are charged to the profit and loss account so as to spread the cost of pensions over the employees' expected working lives.



# **1. Consolidated profit and loss accounts**

		Year ended 31 March			Period to 4 August 1995
	Notes	1993 £'000	1994 £'000	1995 £'000	1995 £'000
<b>Turnover</b>	6.1	4,072	4,992	5,371	1,589
<b>Cost of sales</b>		<u>(3,435)</u>	<u>(4,264)</u>	<u>(4,280)</u>	<u>(1,453)</u>
<b>Gross profit</b>		<u>637</u>	<u>728</u>	<u>1,091</u>	<u>136</u>
<b>Distribution costs</b>		(245)	(274)	(295)	(94)
<b>Administrative expenses</b>		(295)	(286)	(386)	(110)
<b>Other operating income</b>	6.2	<u>30</u>	<u>42</u>	<u>53</u>	<u>2</u>
		<u>(510)</u>	<u>(518)</u>	<u>(628)</u>	<u>(202)</u>
<b>Operating profit/(loss) before non recurring directors' emoluments</b>		127	210	463	(66)
<b>Non recurring directors' emoluments</b>		<u>—</u>	<u>—</u>	<u>(84)</u>	<u>(135)</u>
<b>Operating profit/(loss)</b>	6.3	<u>127</u>	<u>210</u>	<u>379</u>	<u>(201)</u>
<b>Interest receivable</b>	6.5	18	2	1	—
<b>Interest payable and similar charges</b>	6.6	<u>(62)</u>	<u>(47)</u>	<u>(38)</u>	<u>(14)</u>
		<u>(44)</u>	<u>(45)</u>	<u>(37)</u>	<u>(14)</u>
<b>Profit/(loss) on ordinary activities before taxation</b>		83	165	342	(215)
<b>Tax on profit/(loss) on ordinary activities</b>	6.7	<u>(16)</u>	<u>(49)</u>	<u>(94)</u>	<u>60</u>
<b>Profit/(loss) on ordinary activities after taxation</b>		67	116	248	(155)
<b>Dividends</b>	6.8	<u>(25)</u>	<u>(75)</u>	<u>—</u>	<u>—</u>
<b>Retained profit/(loss) transferred to/(from) reserves</b>	6.19	<u>42</u>	<u>41</u>	<u>248</u>	<u>(155)</u>

The above results derive solely from continuing activities.

**2. Statement of total recognised gains and losses**

	Year ended 31 March			Period to 4 August 1995
	1993 £'000	1994 £'000	1995 £'000	1995 £'000
Profit/(loss) for the period	67	116	248	(155)
Dividends	(25)	(75)	—	—
	<u>42</u>	<u>41</u>	<u>248</u>	<u>(155)</u>
Surplus on revaluation of fixed assets net of deferred tax	—	194	—	—
Purchase of own shares	—	—	—	(240)
Total recognised gains/(losses)	<u>42</u>	<u>235</u>	<u>248</u>	<u>(395)</u>

**3. Note of historical cost profits and losses**

	Year ended 31 March			Period to 4 August 1995
	1993 £'000	1994 £'000	1995 £'000	1995 £'000
Profit/(loss) on ordinary activities before taxation	83	165	342	(215)
Difference between the historical cost depreciation charge and the actual depreciation charge for the period calculated on the revalued amount	<u>14</u>	<u>14</u>	<u>43</u>	<u>14</u>
Historical cost profit/(loss) on ordinary activities before taxation	<u>97</u>	<u>179</u>	<u>385</u>	<u>(201)</u>

## 4. Consolidated balance sheets

	Notes	As at 31 March			As at 4 August
		1993 £'000	1994 £'000	1995 £'000	1995 £'000
<b>Fixed assets</b>					
Tangible assets	6.9	1,454	1,820	1,942	1,854
Investments	6.10	34	34	34	—
		<u>1,488</u>	<u>1,854</u>	<u>1,976</u>	<u>1,854</u>
<b>Current assets</b>					
Stocks	6.11	459	422	460	610
Debtors	6.12	1,293	1,505	1,532	985
Cash at bank and in hand		150	19	31	—
		<u>1,902</u>	<u>1,946</u>	<u>2,023</u>	<u>1,595</u>
<b>Creditors: amounts falling due within one year</b>	6.13	<u>(1,356)</u>	<u>(1,392)</u>	<u>(1,388)</u>	<u>(1,286)</u>
<b>Net current assets</b>		<u>546</u>	<u>554</u>	<u>635</u>	<u>309</u>
<b>Total assets less current liabilities</b>		2,034	2,408	2,611	2,163
<b>Creditors: amounts falling due after more than one year</b>	6.14	(56)	(93)	(71)	(20)
<b>Provisions for liabilities and charges</b>	6.15	(30)	(139)	(123)	(123)
<b>Accruals and deferred income</b>	6.16	<u>(24)</u>	<u>(17)</u>	<u>(10)</u>	<u>(8)</u>
		<u>1,924</u>	<u>2,159</u>	<u>2,407</u>	<u>2,012</u>
<b>Capital and reserves</b>					
Called up share capital	6.18	50	50	50	46
Capital redemption reserve	6.19	—	—	—	4
Revaluation reserve	6.19	928	1,108	1,075	1,061
Profit and loss account	6.19	946	1,001	1,282	901
<b>Equity shareholders' funds</b>	6.20	<u>1,924</u>	<u>2,159</u>	<u>2,407</u>	<u>2,012</u>

**5. Consolidated cash flow statement**

		Year ended 31 March			Period to 4 August 1995
	Notes	1993 £'000	1994 £'000	1995 £'000	1995 £'000
<b>Net cash inflow from operating activities</b>	<b>6.23</b>	<u>196</u>	<u>284</u>	<u>716</u>	<u>65</u>
<b>Return on investments and servicing of finance</b>					
Interest received and similar income		18	2	—	—
Interest paid		(62)	(47)	(27)	(14)
Dividends paid		(25)	—	(75)	—
<b>Net cash (outflow) from returns on investments and servicing of finance</b>		<u>(69)</u>	<u>(45)</u>	<u>(102)</u>	<u>(14)</u>
<b>Taxation</b>					
Corporation tax paid		(17)	(41)	(55)	—
<b>Investing activities</b>					
Payments to acquire tangible fixed assets		(105)	(169)	(303)	(22)
Receipts from sale of tangible fixed assets		5	4	24	—
Receipts from sale of investments		10	—	—	—
Receipts of loan investments		—	—	—	34
<b>Net cash (outflow)/inflow from investing activities</b>		<u>(90)</u>	<u>(165)</u>	<u>(279)</u>	<u>12</u>
<b>Financing</b>	<b>6.24</b>				
Repayment of loans		—	(10)	(45)	—
Increase in loans		15	—	—	—
Repayment of shareholders' loans		—	—	—	(80)
Hire purchase and finance lease repayments		(26)	(23)	(43)	(17)
Purchase of own shares		—	—	—	(240)
<b>Net cash (outflow) from financing</b>		<u>(11)</u>	<u>(33)</u>	<u>(88)</u>	<u>(337)</u>
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>6.25</b>	<u>9</u>	<u>—</u>	<u>192</u>	<u>(274)</u>

## 6. Notes to the financial information

### 6.1 Turnover

Turnover represents amounts derived from the provision of goods and services which fall within the group's ordinary activities after deduction of trade discounts and value added tax. The turnover and pre tax profit/(loss), all of which arises in the United Kingdom, is attributable to one activity, the production of injection moulded plastics.

### 6.2 Other operating income

	Year ended 31 March			Period to 4 August 1995
	1993 £'000	1994 £'000	1995 £'000	1995 £'000
Net rental income	14	14	14	2
Profit on disposal of fixed assets	1	4	21	—
Other income	15	24	18	—
	<u>30</u>	<u>42</u>	<u>53</u>	<u>2</u>

### 6.3 Operating profit/(loss)

	Year ended 31 March			Period to 4 August 1995
	1993 £'000	1994 £'000	1995 £'000	1995 £'000
Operating profit/(loss) is stated after charging/(crediting):				
Depreciation and amortisation				
Owned assets	172	156	190	65
Leased assets	2	12	29	15
Loss on disposal of fixed assets	—	—	44	4
Regional Development Grant released to profit and loss account	(8)	(7)	(7)	(2)
Auditors' remuneration — audit	6	8	9	4
— other	6	11	7	8

### 6.4 Information regarding directors and employees

#### Directors' emoluments

	Year ended 31 March			Period to 4 August 1995
	1993 £'000	1994 £'000	1995 £'000	1995 £'000
Management remuneration — recurring	226	249	285	70
— non recurring	—	—	84	135
	<u>226</u>	<u>249</u>	<u>369</u>	<u>205</u>

#### Remuneration of the highest paid director (excluding pension contributions)

	<u>110</u>	<u>106</u>	<u>125</u>	<u>48</u>
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#### Scale of directors' remuneration

	No.	No.	No.	No.
£ 10,001 – £ 15,000	1	1	1	1
£ 50,001 – £ 55,000	—	—	—	1
£100,001 – £105,000	—	1	—	—
£105,001 – £110,000	1	1	—	—
£110,001 – £115,000	1	—	—	—
£115,001 – £120,000	—	—	1	—
£120,001 – £125,000	—	—	1	—
£125,001 – £130,000	—	—	—	1

	Year ended 31 March			Period to 4 August 1995
	1993 £'000	1994 £'000	1995 £'000	1995 £'000
<b>Average number of persons employed</b>				
Production	58	63	62	56
Sales and distribution	3	3	3	3
Administration	10	12	13	15
	<u>71</u>	<u>78</u>	<u>78</u>	<u>74</u>
<b>Staff costs during the period (including directors)</b>				
Wages and salaries	1,114	1,222	1,308	484
Social security costs	75	109	109	34
Pension costs — recurring	73	78	82	23
— non recurring	—	—	84	135
	<u>1,262</u>	<u>1,409</u>	<u>1,583</u>	<u>676</u>

## 6.5 Interest receivable

	Year ended 31 March			Period to 4 August 1995
	1993 £'000	1994 £'000	1995 £'000	1995 £'000
Bank interest	12	2	1	—
Corporation tax repayment supplement	6	—	—	—
	<u>18</u>	<u>2</u>	<u>1</u>	<u>—</u>

## 6.6 Interest payable and similar charges

	Year ended 31 March			Period to 4 August 1995
	1993 £'000	1994 £'000	1995 £'000	1995 £'000
Bank loans, overdrafts and other loans repayable within five years	55	41	22	12
Finance leases and hire purchase contracts	7	6	16	2
	<u>62</u>	<u>47</u>	<u>38</u>	<u>14</u>

## 6.7 Tax on profit/(loss) on ordinary activities

	Year ended 31 March			Period to 4 August 1995
	1993 £'000	1994 £'000	1995 £'000	1995 £'000
United Kingdom corporation tax at 33 per cent (1995 - 29 per cent; 1994 and 1993 - 25 per cent) based on the profit/(loss) for the period	48	36	110	(60)
Deferred taxation	(27)	13	(16)	—
	<u>21</u>	<u>49</u>	<u>94</u>	<u>(60)</u>
<b>Adjustments to prior period's tax provisions:</b>				
Corporation tax	(21)	—	—	—
Deferred taxation	16	—	—	—
	<u>16</u>	<u>49</u>	<u>94</u>	<u>(60)</u>

## 6.8 Dividends

	Year ended 31 March			Period to 4 August 1995
	1993 £'000	1994 £'000	1995 £'000	1995 £'000
Final proposed - £Nil per ordinary share (1995 - £Nil; 1994 - £1.50; 1993 - £Nil)	—	75	—	—
Interim paid - £Nil per ordinary share (1995 and 1994 - £Nil; 1993 - £0.50)	25	—	—	—
	<u>25</u>	<u>75</u>	<u>—</u>	<u>—</u>

## 6.9 Tangible fixed assets

	Freehold land and buildings £'000	Plant, equipment and vehicles purchased £'000	Leased motor vehicles £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
<b>Cost/valuation</b>					
At 1 April 1995	1,115	2,277	225	81	3,698
Additions	—	49	—	6	55
Disposals	—	(82)	—	—	(82)
At 4 August 1995	<u>1,115</u>	<u>2,244</u>	<u>225</u>	<u>87</u>	<u>3,671</u>
<b>Accumulated depreciation</b>					
At 1 April 1995	156	1,327	225	48	1,756
Charge for the period	7	70	—	3	80
Disposals	—	(19)	—	—	(19)
At 4 August 1995	<u>163</u>	<u>1,378</u>	<u>225</u>	<u>51</u>	<u>1,817</u>
<b>Net book value</b>					
At 4 August 1995	<u>952</u>	<u>866</u>	<u>—</u>	<u>36</u>	<u>1,854</u>
At 31 March 1995	<u>959</u>	<u>950</u>	<u>—</u>	<u>33</u>	<u>1,942</u>
At 31 March 1994	<u>979</u>	<u>830</u>	<u>—</u>	<u>11</u>	<u>1,820</u>
At 31 March 1993	<u>999</u>	<u>448</u>	<u>—</u>	<u>7</u>	<u>1,454</u>

The net book value of the group's plant and machinery includes £103,296 (31 March 1995 - £148,342; 1994 - £92,294; 1993 - £37,517) in respect of assets held under finance leases and hire purchase contracts.

Included in the cost of plant and equipment of the group are assets with an original cost of £847,311 (31 March 1995 - £1,642,089; 1994 - £1,588,741; 1993 - £1,310,014) which have been fully depreciated, but which continue to be utilised in the group's business.

The net book value of land and buildings comprises:

	As at 31 March			As at 4 August 1995
	1993 £'000	1994 £'000	1995 £'000	1995 £'000
Freehold land	305	305	305	305
Freehold buildings	694	674	654	647
	<u>999</u>	<u>979</u>	<u>959</u>	<u>952</u>

Freehold land and buildings at cost or valuation are stated at open market value in January 1989. All other tangible fixed assets with the exception of the plant and equipment referred to below are stated at cost.

The effect of the revaluation has been to increase the depreciation charge in the period ended 4 August 1995 by £4,587.

If stated under historical cost principles the comparable amounts for the total of land and buildings would be:

	As at 31 March			As at 4 August
	1993	1994	1995	1995
	£'000	£'000	£'000	£'000
Cost	274	274	274	274
Accumulated depreciation	(202)	(209)	(215)	(217)
	<u>72</u>	<u>65</u>	<u>59</u>	<u>57</u>

Included in the cost of plant and equipment are tools which were revalued at 31 March 1994 by the directors on the basis of existing use at £290,000. At that time the tools had been fully depreciated. This valuation was substantiated by Chesterton International plc, valuers of plant and machinery, in May 1994. The effect of the revaluation has been to increase the depreciation charge in the period ended 4 August 1995 by £9,667.

#### 6.10 Investments

	As at 31 March			As at 4 August
	1993	1994	1995	1995
	£'000	£'000	£'000	£'000
Unlisted investments	—	—	—	—
Loans	34	34	34	—
Net book value	<u>34</u>	<u>34</u>	<u>34</u>	<u>—</u>

Included in Unlisted Investments at a cost of £220 is a 22 per cent holding of the allotted ordinary share capital of Hazefamous Limited, a company incorporated in Great Britain. It is not considered that the Company is in a position to exercise significant influence over the commercial, financial and policy decisions of that company and consequently it is not accounted for as a related company.

The latest available statutory accounts of Hazefamous Limited, prepared for the year ended 31 December 1994 show the following:

	£'000
Capital and reserves at 31 December 1994	<u>164</u>
Retained profit for the year	<u>—</u>

#### 6.11 Stocks

	As at 31 March			As at 4 August
	1993	1994	1995	1995
	£'000	£'000	£'000	£'000
Raw materials and consumables	202	188	201	251
Finished goods and work in progress	257	234	259	359
	<u>459</u>	<u>422</u>	<u>460</u>	<u>610</u>



**6.12 Debtors**

	As at 31 March			As at 4 August
	1993 £'000	1994 £'000	1995 £'000	1995 £'000
Trade debtors	1,194	1,404	1,442	893
Other debtors	84	84	51	59
Directors' loans	—	—	20	—
Prepayments and accrued income	15	17	19	33
	<u>1,293</u>	<u>1,505</u>	<u>1,532</u>	<u>985</u>

The amounts owed by the directors as at 31 March 1995 were £10,079 for both Mr V. Johnson and Mr J. Heywood. These amounts were also the maximum outstanding during the year then ended. The loans have been repaid since 31 March 1995.

**6.13 Creditors: amounts falling due within one year**

	As at 31 March			As at 4 August
	1993 £'000	1994 £'000	1995 £'000	1995 £'000
Shareholders' loans	95	95	80	—
Bank loans and overdrafts (note 6.17)	414	283	103	346
Trade creditors	634	707	861	627
Obligations under finance leases and hire purchase contracts	21	26	55	122
Other creditors	14	21	17	90
Other taxation and social security	137	149	180	69
Corporation tax	41	36	92	32
Proposed dividend	—	75	—	—
	<u>1,356</u>	<u>1,392</u>	<u>1,388</u>	<u>1,286</u>

The shareholders' loans are interest free and there are no fixed repayment terms.

**6.14 Creditors: amounts falling due after more than one year**

	As at 31 March			As at 4 August
	1993 £'000	1994 £'000	1995 £'000	1995 £'000
Bank loans (note 6.17)	55	45	—	—
Obligations under finance leases and hire purchase contracts, repayable within 5 years	1	48	71	20
	<u>56</u>	<u>93</u>	<u>71</u>	<u>20</u>

**6.15 Provisions for liabilities and charges**

	As at 31 March			As at 4 August
	1993 £'000	1994 £'000	1995 £'000	1995 £'000
Capital allowances in advance of depreciation	30	43	59	59
Tax on valuation surplus	—	96	86	86
Other short term timing differences	—	—	(22)	(22)
	<u>30</u>	<u>139</u>	<u>123</u>	<u>123</u>

A tax liability of £149,386 would have arisen if the revalued freehold land and buildings had been sold on 31 March 1995. In the absence of a March 1982 valuation for the freehold land and buildings, the unprovided deferred tax arising on the surplus on the revaluation of the freehold land and buildings has been based on its original cost.

#### 6.16 Accruals and deferred income

##### Regional Development Grants on plant and equipment

	As at 31 March			As at
	1993	1994	1995	4 August
	£'000	£'000	£'000	1995
Balance brought forward	32	24	17	10
Released to profit and loss account	(8)	(7)	(7)	(2)
	<u>24</u>	<u>17</u>	<u>10</u>	<u>8</u>

#### 6.17 Borrowings

##### (a) Bank loans and overdrafts

	As at 31 March			As at
	1993	1994	1995	4 August
	£'000	£'000	£'000	1995
Bank overdrafts	414	283	103	346
Bank loans	55	45	—	—
	<u>469</u>	<u>328</u>	<u>103</u>	<u>346</u>
Analysis of bank loans and overdrafts:				
Within one year	414	283	103	346
Between one and two years	—	45	—	—
Between two and five years	55	—	—	—
	<u>469</u>	<u>328</u>	<u>103</u>	<u>346</u>

The secured obligations are the subject of a fixed charge over the freehold property and interest is charged at 2.5% over base rate.

##### (b) Finance lease commitments

	As at 31 March			As at
	1993	1994	1995	4 August
	£'000	£'000	£'000	1995
Obligations under finance leases and hire purchase contracts repayable within five years	22	74	126	142
Amounts falling due within one year	21	26	55	122
Amounts falling due after more than one year	1	48	71	20
	<u>22</u>	<u>74</u>	<u>126</u>	<u>142</u>

**6.18 Called up share capital**

	As at 31 March			As at 4 August 1995
	1993 £'000	1994 £'000	1995 £'000	1995 £'000
Authorised ordinary shares of £1 each	50	50	50	50
Allotted and fully paid ordinary shares of £1 each	50	50	50	46

**6.19 Reserves**

	As at 31 March			As at 4 August 1995
	1993 £'000	1994 £'000	1995 £'000	1995 £'000
<b>Profit and loss account</b>				
Balance brought forward	891	946	1,001	1,282
Retained profit/(loss)	42	41	248	(155)
Transfer from revaluation reserve	13	14	33	14
Purchase of own shares	—	—	—	(240)
	946	1,001	1,282	901
<b>Revaluation reserve</b>				
Balance brought forward	941	928	1,108	1,075
Surplus on revaluation of assets	—	290	—	—
Deferred tax on revaluation surplus	—	(96)	—	—
Transfer to profit and loss account	(13)	(14)	(33)	(14)
	928	1,108	1,075	1,061
<b>Capital redemption reserve</b>				
Balance brought forward	—	—	—	—
Purchase of own shares	—	—	—	4
	—	—	—	4

On 4 August 1995, the Company purchased 4,160 Ordinary shares with a nominal value of £4,160 at £57.60 per share. Upon purchase the shares were cancelled.

**6.20 Reconciliation of movements in shareholders' funds**

	As at 31 March			As at 4 August 1995
	1993 £'000	1994 £'000	1995 £'000	1995 £'000
Profit/(loss) for the period	67	116	248	(155)
Dividends on equity shares	(25)	(75)	—	—
	42	41	248	(155)
<b>Other recognised gains and losses relating to the period</b>				
Purchase of own shares	—	194	—	(240)
Net addition to equity shareholders' funds	42	235	248	(395)
Opening equity shareholders' funds	1,882	1,924	2,159	2,407
Closing equity shareholders' funds	1,924	2,159	2,407	2,012

**6.21 Capital commitments**

	As at 31 March			As at
	1993	1994	1995	4 August
	£'000	£'000	£'000	1995
Contracted for but not provided	—	—	—	—
Authorised but not yet contracted for	153	—	—	—

**6.22 Pensions**

The group operates two pension schemes, a defined benefit scheme covering both the directors and employees of the group, and a defined contribution scheme covering the directors only.

The assets of these plans are held under self-administered trust funds which are separate from the Company's assets.

The defined benefit scheme which covers both the directors and the employees is the Industrial Reels Limited Retirement Benefits Plan 1983 ("the Plan") and the contributions are determined by a qualified actuary on the basis of the triennial valuations using the attained age method. The most recent valuation was at 6 April 1992.

The principal assumptions adopted in the valuation were that the Plan investments would yield an average return of 9 per cent per annum and the future salary increases would average 8 per cent per annum.

The most recent valuation showed that the market value of the scheme's assets was £1,469,458 and that the actuarial value of those assets represented 125.2 per cent of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The net pension cost for the group for the period to 4 August 1995 was £158,000 (year ended 31 March 1995 – £165,770; 1994 – £77,537; 1993 – £73,100) in respect of the defined benefit scheme and £Nil (1993 to 1995 – £Nil) for the defined contribution scheme.

**6.23 Reconciliation of operating profit/(loss) to net cash flow from operating activities**

	Year ended 31 March			Period
	1993	1994	1995	to 4
	£'000	£'000	£'000	August
Operating profit/(loss)	127	210	379	(201)
Regional Development Grant release	(8)	(7)	(7)	(2)
Depreciation charges	174	168	219	80
Write back of shareholders' loans	—	—	(15)	—
Profit on disposal of tangible fixed assets	(1)	(4)	(21)	—
Loss on disposal of tangible fixed assets	—	—	44	4
Loss on sale of investments	2	—	—	—
(Increase)/decrease in stocks	(51)	37	(38)	(150)
(Increase)/decrease in debtors	(41)	(212)	(27)	606
(Decrease)/increase in creditors	(6)	92	182	(272)
	196	284	716	65

**6.24 Analysis of changes in financing**

	Bank loans £'000	Finance lease obligations £'000	Share- holder loans £'000	Total £'000
Balance brought forward 1 April 1992	40	48	95	183
Net cash outflow	—	(26)	—	(26)
Increase in loans	15	—	—	15
Balance carried forward 31 March 1993	55	22	95	172
Net cash outflow	(10)	(23)	—	(33)
New finance lease obligations	—	75	—	75
Balance carried forward 31 March 1994	45	74	95	214
Net cash outflow	(45)	(43)	—	(88)
New finance lease obligations	—	95	—	95
Write back of shareholders' loans	—	—	(15)	(15)
Balance carried forward 31 March 1995	—	126	80	206
Net cash outflow	—	(17)	(80)	(97)
New finance lease obligations	—	33	—	33
Balance carried forward 4 August 1995	—	142	—	142

**6.25 Analysis of the balances of cash and cash equivalents**

	Year ended 31 March			Period to 4 August 1995
	1993 £'000	1994 £'000	1995 £'000	£'000
Changes during the period	(273)	(264)	(264)	(72)
At the beginning of the period	9	—	192	(274)
Net cash inflow/(outflow)	(264)	(264)	(72)	(346)
At the end of the period				
Analysis:	(414)	(283)	(103)	(346)
Bank overdrafts	150	19	31	—
Cash at bank and in hand	(264)	(264)	(72)	(346)

Yours faithfully

**SOLOMON HARE**Chartered Accountants  
and Registered Auditors

## PART V

### PENTRE PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 1995

#### 1. Basis of preparation

The forecast of profit before taxation of the Pentre Group of not less than £1.23 million in respect of the year ending 31 December 1995, set out in Part I of this document, has been compiled in accordance with the accounting policies normally adopted by Pentre. The forecast includes the audited results for the nine months ended 30 September 1995, the results shown by unaudited management accounts for the month ended 31 October 1995 and a forecast for the two months ending 31 December 1995.

The forecast has been compiled on the basis of the following principal assumptions:

- (i) exchange rates will remain at current levels;
- (ii) the Acquisition will be completed in accordance with its terms such that the Pentre Group will not bear any costs associated therewith. If the Acquisition is not so completed, the Pentre Group will incur costs of approximately £380,000 relating to the transaction.

#### 2. Letters relating to the profit forecast

The following are the texts of letters received from Coopers & Lybrand and from Henry Cooke in connection with the forecast by the directors of Pentre of profit before taxation for the year ending 31 December 1995 set out in Part I of this document:

The Directors and Proposed Directors  
Thomas Locker (Holdings) plc  
Church Street  
Warrington  
Cheshire WA1 2SU

The Directors  
Pentre (Holdings) Limited  
6 Winmarleigh Street  
Warrington  
Cheshire WA1 1NB

The Directors  
Henry Cooke Corporate Finance Ltd  
No. 1 King Street  
Manchester M2 6AW

**Coopers  
& Lybrand**

chartered accountants

Richmond House  
1 Rumford Place  
Liverpool L3 9QS

20 December 1995

Dear Sirs

We have reviewed the accounting policies and calculations for the profit forecast of Pentre (Holdings) Limited ("Pentre") and its subsidiary undertakings (together "the Pentre Group") for the year ending 31 December 1995 as set out in Part I of the listing particulars to be issued by Thomas Locker (Holdings) plc to be dated 20 December 1995.

The profit forecast, for which the directors of Pentre are solely responsible, includes the audited results for the nine months ended 30 September 1995, the results shown by unaudited management accounts for the month ended 31 October 1995 and a forecast for the two months ending 31 December 1995.

In our opinion the profit forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made by the directors of Pentre, set out on page 77 of the said listing particulars, and is presented on a basis consistent with the accounting policies normally adopted by the Pentre Group.

Yours faithfully

Coopers & Lybrand  
Chartered Accountants

**HENRY COOKE CORPORATE FINANCE LTD****No. 1 King Street, Manchester M2 6AW**

The Directors and Proposed Directors  
Thomas Locker (Holdings) plc  
Church Street  
Warrington  
Cheshire WA1 2SU

The Directors  
Pentre (Holdings) Limited  
6 Winmarleigh Street  
Warrington  
Cheshire WA1 1NB

20 December 1995

Dear Sirs

We refer to the forecast of profit before taxation of Pentre (Holdings) Limited ("Pentre") and its subsidiary undertakings for the year ending 31 December 1995 set out in Part I of the listing particulars of Thomas Locker (Holdings) plc dated 20 December 1995.

We have discussed the forecast and the bases and assumptions on which it is made with the Directors of Pentre and we have considered the letter dated 20 December 1995 addressed to yourselves and ourselves by Coopers & Lybrand regarding the accounting policies and calculations used in its preparation.

As a result of these discussions, and in the light of the letter from Coopers & Lybrand, we consider that the forecast, for which the Directors of Pentre are solely responsible, has been made after due and careful enquiry.

Yours faithfully

for and on behalf of  
Henry Cooke Corporate Finance Ltd

Michael J Brown  
Director

## PART VI

### PRO FORMA STATEMENT OF COMBINED NET ASSETS OF THE ENLARGED GROUP

The following pro forma statement of the combined net assets of the Enlarged Group has been prepared for illustrative purposes only and, because of its nature, cannot give a complete picture of the financial position of the Enlarged Group.

The figures are based on the audited consolidated balance sheet of Thomas Locker at 31 March 1995, adjusted to reflect the Acquisition.

	Thomas Locker as at 31 March 1995 (note 1) £'000	Pentre as at 30 Sept 1995 (note 2) £'000	Adjustments (note 3) £'000	The Enlarged Group £'000
<b>Fixed assets</b>				
Tangible assets	8,219	12,014	—	20,233
Investments	1,189	—	—	1,189
	<u>9,408</u>	<u>12,014</u>	<u>—</u>	<u>21,422</u>
<b>Current assets</b>				
Stocks	4,831	3,697	—	8,528
Debtors	7,748	5,725	—	13,473
Cash at bank and in hand	2,830	154	—	2,984
	<u>15,409</u>	<u>9,576</u>	<u>—</u>	<u>24,985</u>
<b>Creditors: amounts falling due within one year</b>	<u>(8,513)</u>	<u>(10,688)</u>	<u>(960)</u>	<u>(20,161)</u>
<b>Net current assets/(liabilities)</b>	<u>6,896</u>	<u>(1,112)</u>	<u>(960)</u>	<u>4,824</u>
<b>Total assets less current liabilities</b>	<u>16,304</u>	<u>10,902</u>	<u>(960)</u>	<u>26,246</u>
<b>Creditors: amounts falling due after more than one year</b>	<u>(22)</u>	<u>(3,408)</u>	<u>—</u>	<u>(3,430)</u>
<b>Provisions for liabilities and charges</b>	<u>(1,635)</u>	<u>(1,070)</u>	<u>—</u>	<u>(2,705)</u>
	<u>14,647</u>	<u>6,424</u>	<u>(960)</u>	<u>20,111</u>
<b>Minority interests</b>	<u>(319)</u>	<u>(633)</u>	<u>(1,739)</u>	<u>(2,691)</u>
<b>Net assets</b>	<u><u>14,328</u></u>	<u><u>5,791</u></u>	<u><u>(2,699)</u></u>	<u><u>17,420</u></u>

**Notes:**

The pro forma statement of net assets has been prepared to reflect the following events and is presented on the following bases:

- These figures have been extracted from the audited consolidated balance sheet of Thomas Locker at 31 March 1995, as set out in Part II of this document.
- These figures have been extracted from the audited consolidated balance sheet of Pentre at 30 September 1995, as set out in the Accountants' Report in Part III of this document.
- The adjustments comprise:
  - recognition as a minority interest of the amount of the consolidated net assets of the Pentre Group attributable to the holders of the Pentre preference shares, which shares are not being acquired by Thomas Locker;
  - provision for the expenses relating to the Acquisition and Admission, estimated to amount to approximately £960,000.
- In preparing the pro forma statement no account has been taken of trading results and cash movements or transactions subsequent to the dates of the respective balance sheets. In particular, the pro forma statement does not reflect the purchases in November 1995 by the Pentre Group of (i) the 25 per cent minority interest in Siipola OY (included in the above statement at a carrying value of £633,000) for a cash consideration equivalent to £200,000 and (ii) a property at Knowsley for a cash consideration of £540,000.
- There are no material differences between the accounting policies of Thomas Locker and Pentre.
- No fair value adjustments have been made to the net assets of Thomas Locker or Pentre.



## PART VII

### ADDITIONAL INFORMATION

#### 1. Incorporation, registration and status

- (a) The Company was incorporated and registered in England under the Companies Act 1929 as a limited company on 26 March 1947 with the name Thomas Locker and Company Limited and with registered number 431900. On 1 April 1960 the name of the Company was changed to Thomas Locker (Holdings) Limited and on 2 November 1981 the Company was re-registered as a public limited company.
- (b) The Company is the holding company of Locker Group. Its registered office and principal place of business is at Church Street, Warrington, Cheshire WA1 2SU and it operates under the Act.

#### 2. Share capital

- (a) At the date of this document the present authorised share capital, and the issued and fully paid share capital, of the Company is as follows:

	Authorised Number	£	Issued and fully paid Number	£
Ordinary Shares	10,000,000	500,000	10,000,000	500,000
"A" Ordinary Shares	30,000,000	1,500,000	30,000,000	1,500,000
unclassified shares of 5p each	20,000,000	1,000,000	—	—

Immediately following completion of the Acquisition, the authorised share capital, and the issued and fully paid share capital, of the Company will be as follows:

	Authorised Number	£	Issued and fully paid Number	£
Ordinary Shares	20,000,000	1,000,000	18,622,547	931,127.35
"A" Ordinary Shares	60,000,000	3,000,000	55,867,641	2,793,382.05
unclassified shares of 5p each	20,000,000	1,000,000	—	—

- (b) As at 20 December 1992, Pentre had an issued share capital of £1,000 divided into 10,000 ordinary shares of 10p each.

On 10 March 1993, 5,000 preferred ordinary shares of 10p each were allotted to ECI Ventures Nominees Limited at a premium of £199.90 per share. On 4 August 1995 allotments were made of 813 preferred ordinary shares of 10p each at a premium of £399.90 per share and 1,674, 800 redeemable preference shares of £1 each at par pursuant to the agreement summarised in paragraph 9(b)(iv) of this Part VII.

At the date of this document, the issued share capital of Pentre is £1,676,381.30, divided into 10,000 ordinary shares of 10p each, 5,813 preferred ordinary shares of 10p each and 1,674,800 redeemable preference shares of £1 each.

- (c) Except as stated in paragraph 2(b) above, during the 3 years immediately preceding the date of this document:

- (i) there has been no change in the amount of the issued share capital of the Company and no material change in the share capital of any other member of the Enlarged Group (other than intra-group issues by wholly owned subsidiaries and pro rata issues by partly owned subsidiaries); and
  - (ii) no discounts or other special terms have been granted by the Company or any other member of the Enlarged Group in connection with the issue or sale of any share capital of any such company.
- (d) No share capital of the Company or any other member of the Enlarged Group is under option or agreed, conditionally or unconditionally, to be put under option.
- (e) At the Extraordinary General Meeting of the Company convened for 10 January 1996 a resolution will be proposed to approve the Acquisition, to increase the Company's authorised share capital from £3,000,000 to £5,000,000 by the creation of an additional 10,000,000 Ordinary Shares and 30,000,000 "A" Ordinary Shares and to authorise the allotment of 8,622,547 Ordinary Shares and 25,867,641 "A" Ordinary Shares pursuant to the Acquisition Agreement, such authority to expire on 30 June 1996.

### 3. Summary of Memorandum and Articles of Association of the Company

The Company's principal object, as set out in clause 4 of its Memorandum of Association, is to carry on the business of an investment company. The objects of the Company are set out in full in the Memorandum of Association, which is available for inspection as provided in paragraph 14(a) below.

The issued share capital of the Company comprises Ordinary Shares and "A" Ordinary Shares. The "A" Ordinary Shares rank *pari passu* in all respects with the Ordinary Shares except that holders of them have, by virtue of such holding, no right to receive notice of or to attend and vote at any general meeting.

The Articles of Association of the Company contain, amongst others, provisions to the following effect:-

#### (a) Voting rights

Subject and without prejudice to the special rights, privileges or restrictions as to voting attached to any special class of shares, at a general meeting on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a representative duly authorised under section 375 of the Act, not being himself a member, shall have one vote and on a poll every member present in person or by proxy shall have one vote for every one pound in nominal amount of shares of any class of which he is the holder.

#### (b) Dividends

The Company in general meeting may declare dividends but no dividend shall exceed the amount recommended by the board of directors. Subject to the Act, the board of directors may pay such interim dividends as appear to the board of directors to be justified by the profits of the Company available for distribution.

Subject to the rights of any persons entitled to shares with special rights as to dividend (no such shares presently being in issue) all dividends shall be declared and paid according to the amounts paid on the shares in respect of which the dividend is

paid, but no amount paid on a share in advance of calls shall be treated as paid up on the share. All dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as from a particular date such share shall rank for dividend accordingly.

No dividend shall bear interest as against the Company.

Any general meeting declaring a dividend or bonus may direct payment of such dividend or bonus wholly or partly by the distribution of specific assets and in particular of paid up shares or debentures of any other company or in any one or more of such ways.

All dividends unclaimed for a period of 12 years after having been declared shall be forfeited and shall revert to the Company.

(c) Distribution of assets on liquidation

On a winding-up the liquidator may, with the sanction of an extraordinary resolution, divide among the members in specie any part of the assets of the Company. Any such division may be otherwise than in accordance with the existing rights of the members, but so that if any division is resolved on otherwise than in accordance with such rights the members shall have the same right of dissent and consequential rights as if such resolution were a special resolution passed pursuant to what is now section 110 Insolvency Act 1986. Subject to the above, as a matter of insolvency law, on a winding-up the assets of the Company remaining after the payment of its liabilities are distributable amongst its shareholders in proportion to the amount of share capital, paid up or credited as paid up, which is held by them.

(d) Transfer of shares

Subject to the restrictions referred to below, any member may transfer all or any of his shares by instrument in writing in the usual common form, or in such other form as the board of directors may approve. Such instrument must be left at the registered office of the Company, or at such other place as the board of directors may appoint, accompanied by the certificate for the shares to be transferred and such other evidence (if any) as the board of directors may require to prove the title of the intending transferor. Every instrument of transfer must be in respect of only one class of share. The instrument of transfer shall be signed by or on behalf of the transferor and, in the case of a partly paid up share, by or on behalf of the transferee. The board of directors may, in its absolute discretion and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve. It may also refuse to register any transfer of any share (not being a fully paid up share) on which the Company has a lien. The Company is not bound to register more than four persons as joint holders of any share.

The registration of transfers may be suspended by the directors for any period not exceeding 30 days in any year.

(e) Issue and allotment of shares

Subject to the provisions of the Act relating to authority, pre-emption rights and otherwise and to any resolution of the Company in general meeting passed pursuant thereto, the unissued shares of the Company shall be under the control of the board of directors who may offer, allot, grant options over or otherwise dispose of them to

such persons (including any directors) on such terms and conditions and at such times as it shall in its absolute discretion think fit but no share shall be allotted at a discount or except as paid up at least as to one quarter of the nominal value of the share and the whole of any premium on it.

The Articles do not contain any pre-emption rights. Section 89 of the Act, which confers on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash, applies to the authorised but unissued share capital of the Company.

**(f) Variation of rights**

Subject to the Act, all or any of the special rights and privileges attached to any share or class of shares may be varied or abrogated with the consent in writing of the holders of not less than three quarters of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class.

Subject to the terms upon which any shares may be issued, the rights or privileges attached to any class of shares shall not be deemed to be varied or abrogated by the creation or issue of any new shares ranking *pari passu* in all respects with those already issued.

**(g) Changes in share capital**

(i) The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of a larger amount, cancel any shares which, at the date of passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled and sub-divide its shares or any of them into shares of a smaller amount and determine that, as between the holders of the shares resulting from such sub-division, one or more shares may have any such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with, the other or the others as the Company has power to attach to unissued or new shares.

(ii) Subject to the Act, the Company may by special resolution reduce its share capital or any capital redemption reserve or share premium account in any manner. Subject to the Act, the Company may issue shares which are, or at the option of the Company or the holder are liable, to be redeemed and it may also purchase its own shares (including any redeemable shares).

**(h) Directors**

(i) The number of directors shall not be less than two nor more than seven. A director shall not require a shareholding qualification.

(ii) A director shall not vote in respect of any contract or arrangement or any other proposal whatsoever in which he has a material interest otherwise than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through, the Company. A director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting. Notwithstanding the foregoing, a director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following:

- (a) the giving of any security or indemnity to him in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or of any of its subsidiaries;
  - (b) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
  - (c) any proposal concerning any offer of shares or debentures or other securities of or by the Company or any of its subsidiaries for subscription or purchase, in which offer he is, or is to be, interested as a participant in the underwriting or sub-underwriting of the offer;
  - (d) any proposal concerning any other company in which he is interested directly or indirectly and whether as an officer or shareholder or otherwise howsoever, but is not the holder of or beneficially interested in 1% or more of the issued shares of any class of such company or of any third company through which his interest is derived or of the voting rights available to members of the relevant company (any such interest being deemed to be a material interest in all circumstances);
  - (e) any proposal concerning the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to directors and employees of the Company or any of its subsidiaries and does not provide to him as such any privilege or advantage not accorded to the employees to whom such scheme or fund relates;
  - (f) any profit sharing scheme or share option scheme or other arrangement for the benefit of employees of the Company or of any of its subsidiaries under which he benefits in a similar manner as the employees and which does not provide to him as such any privilege or advantage not accorded to the employees to whom such scheme or arrangement relates;
  - (g) the determination or apportionment of directors' remuneration. (No director uses or will use this power in respect of his own remuneration).
- (iii) The directors, other than those holding full time salaried employment in the Company, shall be entitled to ordinary remuneration for their services as directors in such amount as the board of directors may determine but not exceeding in aggregate £25,000 per annum, exclusive of VAT (or such higher amount as may be determined by the Company by ordinary resolution) and such ordinary remuneration shall be apportioned amongst them as the board of directors may agree. The directors shall be entitled to be repaid all travelling and hotel expenses properly incurred by them in or about the performance of their duties as directors, including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred while engaged on the business of the Company. If by arrangement with the other directors any director shall perform or render any special duties or services outside his ordinary duties as a director, the board of directors may pay him special remuneration in addition to ordinary remuneration, and such special remuneration may be by way of salary, commission, participation in profits or retirement benefits scheme as may be arranged.

- (iv) A director may be appointed by the board of directors to any other office or place of profit under the Company, except that of auditor, for such period, on such terms and at such remuneration (by way of salary, commission, participation in profits, retirement benefits scheme or other benefits) as the board of directors may determine.
  - (v) Any director may act for himself or his firm in a professional capacity for the Company and he or his firm shall be entitled to remuneration for professional services as if he were not a director, provided that nothing shall authorise a director or his firm to act as auditor to the Company.
  - (vi) At the annual general meeting of the Company in every year one third of the directors who are subject to retirement by rotation or, if their number is not 3 or a multiple of 3, then the number nearest to but (except when less than 3 directors are subject to retirement by rotation) not exceeding one third, shall retire from office.
  - (vii) The board of directors may appoint any one or more of its body to the office of Chief Executive, Managing Director and/or such other office in the management of the business of the Company as it may decide for such a period and upon such terms as it thinks fit. A Chief Executive, Managing Director or such other officer shall not, whilst he continues to hold such office, but subject to the terms of any contract of service between him and the Company, be subject to retirement by rotation and he shall not be taken into account in determining the rotation of retirement of directors.
  - (viii) No person shall be or become incapable of being appointed a director by reason of his having attained the age of 70 or any other age, nor shall any special notice be required in connection with the appointment or the approval of the appointment of such person and no director shall vacate his office at any time by reason of the fact that he has attained the age of 70 or any other age.
- (i) **Borrowing powers**
- The board of directors may exercise all the powers of the Company to borrow money, and to mortgage or charge its undertaking, property and uncalled capital and, subject to the Act, to issue debentures and other securities, whether outright or as security for any debt, liability or obligation of the Company or of any third party. The board of directors shall restrict the borrowing of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries so as to secure (or as regards subsidiaries so far as, by such exercise, it can secure) that the aggregate principal amount remaining undischarged of moneys borrowed by the Company and its subsidiaries (exclusive of intra-group borrowing) shall not, without the previous sanction of an ordinary resolution, exceed an amount equal to twice the nominal amount of the issued and paid up share capital of the Company and the consolidated reserves of the Company and its subsidiaries (as defined in the Articles of Association).
- (j) **Pensions and benefits**
- The board of directors may establish and maintain or procure the establishment and maintenance of any contributory or non-contributory retirement benefits scheme for the benefit of, or give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the

employment or service of the Company or of any company which is a subsidiary of the Company or allied or associated with the Company or any such subsidiary, or who are or were at any time directors or officers of the Company or of any such other company, and holding or who have held any salaried employment or office in the Company or such other company, and the wives, widows, families and dependents of any such persons. The board of directors may do any of the above matters either alone or in conjunction with any other company. Any director holding any employment or office shall be entitled to participate in and retain for his benefit any such donation, gratuity, pension, allowance or emoluments.

(k) **Non-UK shareholders**

Any member described in the Register of Members as having an address not within the United Kingdom may give to the Company an address within the United Kingdom at which all notices shall be served upon him, and all notices served at such address shall be deemed to be duly served. If such member shall not have given such an address he shall not be entitled to receive any notice.

**4. Directors' and other interests**

- (a) As at 18 December 1995 (being the latest practicable date prior to the publication of this document), and as they will be immediately following the Acquisition, the interests of each Director and those of any person connected with that Director within the meaning of section 346 of the Act ("Connected Person") in the issued share capital of the Company which (i) are required to be notified to the Company pursuant to sections 324 and 328 of the Act, or (ii) are required pursuant to section 325 of the Act to be entered in the register referred to therein or (iii) are interests of a Connected Person which would, if the Connected Person were a Director, be required to be disclosed under (i) or (ii) above and the existence of which is known to or could with reasonable diligence be ascertained by that Director are as follows:

	Number of shares as at 18 December 1995		Percentage of shares as at 18 December 1995		Percentage of shares following the Acquisition	
	Ordinary	"A" Ordinary	Ordinary	"A" Ordinary	Ordinary	"A" Ordinary
<b>Directors Interested beneficially</b>						
J. P. Douglas	322,379	166,724	3.22	0.56	1.73	0.30
H. Blair	15,000	5,000	0.15	0.02	0.08	0.01
D. C. Barr	10,000	—	0.10	—	0.05	—
A. P. Baker	531,750	125,616	5.32	0.42	2.86	0.22
<b>Interested as trustee</b>						
J. P. Douglas	182,000	22,000	1.82	0.07	0.98	0.04
A. P. Baker	46,000	22,000	0.46	0.07	0.25	0.04

All the interests of Mr. A. P. Baker as trustee and the interests of Mr. J. P. Douglas as trustee in 22,000 "A" Ordinary Shares and 46,000 Ordinary Shares are duplicated.

- (b) Save as disclosed in paragraph (a) above and in paragraph (c) below, no interest in the share capital of the Company is held by any of the Directors and no such interest, the existence of which is known or could with reasonable diligence be ascertained by the relevant Director, is held by any Connected Person.
- (c) Immediately following the Acquisition, Mr. P. A. Gartside and Mr. M. F. Seymour will each separately be beneficially interested in 1,698,418 Ordinary Shares and

5,095,253 "A" Ordinary Shares, representing in each case 9.12 per cent of both the enlarged Ordinary Share capital and the enlarged "A" Ordinary Share capital, and Mr. A. E. Watson will be beneficially interested in 84,519 Ordinary Shares and 253,556 "A" Ordinary Shares, representing 0.45 per cent of both the enlarged Ordinary Share capital and the enlarged "A" Ordinary Share capital of the Company.

- (d) As at 18 December 1995 (being the latest practicable date prior to the publication of this document), and in addition to the interests of the Directors and the Proposed Directors, the Directors and the Proposed Directors were aware that the following were interested directly or indirectly in 3 per cent or more of the Company's issued Ordinary Share capital, or would be so interested immediately following the Acquisition:

Shareholder	Number of Ordinary Shares	Percentage of Ordinary Shares as at 18 December 1995	Percentage of Ordinary Shares following the Acquisition
Mr. J. Carr	2,260,731	22.61	12.14
Mr. J. V. Carr*	1,238,745	—	6.65
Inveresk House Nominees Limited (nominees for the executors of J.T.C. Locker deceased)	764,162	7.64	4.10
The Trustees of the Carr Overseas Trust*	647,250	—	3.48
The National Farmers Union Mutual Insurance Society Limited	400,000	4.00	2.15
Mrs. I. M. Simcock	322,650	3.23	1.73
ECI Venture Nominees Limited (nominees for ECI)*	2,982,147	—	16.01

\* These New Ordinary Shares will be allotted to the shareholders on completion of the Acquisition.

- (e) Except for the Acquisition Agreement, in which Mr. P. A. Gartside, Mr. M. F. Seymour and Mr. A. E. Watson are interested as vendors and the Agreement referred to in paragraph 9(b)(v) below in which Mr. P. A. Gartside and Mr. M. F. Seymour are interested, none of the Directors or Proposed Directors has or has had any interest in any transaction which is or was unusual in its nature or conditions or is or was significant to the business of the Enlarged Group and which was effected by the Company (i) during the current or immediately preceding financial year or (ii) during an earlier financial year and which remains in any respect outstanding or unperformed.
- (f) There are no outstanding loans granted by any member of the Enlarged Group to the Directors or Proposed Directors, nor any guarantees provided by any member of the Enlarged Group for the benefit of the Directors or Proposed Directors.

## 5. Directors' service agreements and emoluments

- (a) Each of the executive Directors, Mr. P. A. Gartside and Mr. M. F. Seymour, has entered into a service contract with the Company dated 20 December 1995 which is conditional upon the completion of the Acquisition. Each of the service contracts is



terminable upon 12 months' notice from either party to the other, given at any time. The service contracts provide for the payment of the following by way of fixed annual salary:

Name	Annual Salary (£)
J. P. Douglas	60,912
H. Blair	62,000
D. C. Barr	43,000
P. A. Gartside	95,000
M. F. Seymour	95,000

In addition, under the service contracts the Company agrees to pay each executive director (other than Mr. P. A. Gartside and Mr. M. F. Seymour) a share of profits bonus in accordance with the policy from time to time of the Company, to pay for BUPA membership for each executive director, his spouse and any children under the age of 24 and to provide each executive director with life assurance cover which in the event of his death during his employment will pay a lump sum equal to 4 times his then pensionable salary. Each executive director is also entitled to membership of the Company's permanent health insurance scheme and to be provided with a car during his employment and each executive director (other than Mr. P. A. Gartside and Mr. M. F. Seymour) is entitled to remain a member of the Thomas Locker (Holdings) plc Retirement and Death Benefits Plan ("the Plan"). Mr. P. A. Gartside and Mr. M. F. Seymour are each entitled to become a member of the Plan subject to the Rules of the Plan and the consent of the Trustees of the Plan. Alternatively, the Company agrees to make contributions of an amount of not less than 10 per cent of the salary of the individual concerned to a pension scheme of his choice.

The Directors are entering into new service contracts in order to bring all directors' contracts into the same format. The emoluments of the Directors remain unchanged.

- (b) Conditionally, as provided in paragraph 5(a) above, Mr. A. E. Watson has entered into terms of appointment for one year, pursuant to which he will earn a fee of £15,000.
- (c) Save as disclosed above, following completion of the Acquisition there will be no existing service agreements between any of the Directors or Proposed Directors and any company which is a member of the Enlarged Group.
- (d) The aggregate remuneration paid and benefits in kind granted by the Locker Group to the directors of the Company during the year ended 31 March 1995, including directors' fees, pension contributions and bonuses, was £219,000.
- (e) Assuming that the service contracts and terms of appointment referred to in paragraphs 5(a) and 5(b) become unconditional, it is estimated that the aggregate amount payable to the Directors and Proposed Directors by the Enlarged Group during the year ending 31 March 1996 under the arrangements in force at the date of this document (including in each case pension fund contributions and benefits in kind) will be approximately £251,000.

## **6. Subsidiary undertakings**

- (a) The Company is a holding company and its principal subsidiary undertakings at the date of this document are listed below. All subsidiary undertakings are, unless stated to be incorporated elsewhere, private companies incorporated in England and Wales and have their registered office at Church Street, Warrington, Cheshire, WA1 2SU.

<b>Name</b>	<b>Nature of business</b>
Locker Europe Limited	Holding company
Locker Air-Maze Limited	Filtration equipment manufacturer
Locker Midland Properties Limited	Property company
Locker Wire Weavers Limited	Woven wire manufacturer
Locker Industries (Holdings) Limited	Holding company
Locker Industries Limited	Material processing equipment manufacturer
Thomas Locker SA (incorporated in Belgium)	Material processing equipment manufacturer
Lockers Proprietary Limited (incorporated in Australia)	Material processing, perforated metals and wire products manufacturer
Locker - Cambridge Metal Belt Company Proprietary Limited (incorporated in Australia)	Metal belt manufacturer
Lockers Engineers South Africa (Proprietary) Limited (incorporated in South Africa)	Material processing and perforated metals manufacturer
Midwest Properties No. 188 (Proprietary) Limited (incorporated in South Africa)	Property company

The share capital of each of the companies listed above is wholly owned by the Company other than that of Locker Air-Maze Limited, in which the Company holds directly or indirectly 71 per cent of the ordinary share capital, and Locker-Cambridge Metal Belt Co. Pty Limited, in which the Company holds 80 per cent of the ordinary share capital.

The registered office of the Belgian company is located at Rue de la Station, B11300 Wavre Limal, Belgium. The registered offices of the Australian companies are located at 45-49 Keys Road, Moorabbin, Victoria 3189, Australia. The registered offices of the South African companies are located at PO Box 1982, Krugersdorp 1740, Gauteng, South Africa.

- (b) Following the Acquisition, the Company will also be the holding company of the Pentre Group and will, accordingly, have the additional principal subsidiary undertakings listed below. All subsidiary undertakings are, unless stated to be incorporated elsewhere, private companies incorporated in England and Wales and have their registered office at Moss Industrial Estate, St Helens Road, Leigh, Lancashire WN7 3PF.

Name	Nature of business
Pentre (Holdings) Limited	Holding company
Pentre Group Limited	Holding company
Pentre Engineering Limited	Reel and drum manufacturer
Meltech-Larnuth Limited	Specialised machinery manufacturers
Pentre Reels Limited	Timber and plywood reel manufacturer
IR Holdings Limited	Holding company
Industrial Reels Limited	Plastic reel manufacturer and plastic injection moulder
Heas A/S (incorporated in Denmark)	Process reel and drum manufacturer
Pentre-Siipola OY (incorporated in Finland)	Timber drum and plywood reel manufacturer

Following the Acquisition, the share capital of each of the companies listed above, other than Pentre, will be wholly owned directly or indirectly by the Company, which will also own directly the entire issued ordinary and preferred ordinary share capital of Pentre.

The registered office of the Danish company is located at Turebyvej 1, DK-4682, Tureby, Denmark and of the Finnish company is located at Reventic 90830, Haukipudas, Finland.

The issued share capital of Pentre also comprises 1,674,800 preference shares of £1 each. Under the Articles of Association of Pentre in force at the date of this document, each preference share confers on the holder the right to receive two dividends. Both are annual fixed net cumulative dividends of 9.56p. The first is payable in arrears by two equal instalments on 30 June and 31 December each year. The second is declared on each 31 December and is payable on the date on which the preference shares are required to be redeemed, together with interest on that dividend at the rate of 20 per cent per annum from the date of declaration, compounded annually. On redemption a premium of 19.42p per preference share is also payable.

Under the Articles of Association of Pentre in force at the date of this document, the preference shares would have to be redeemed immediately following completion of the Acquisition. However, by an agreement dated 20 December 1995 referred to further in paragraph 9(a)(iv) below, ECI, the owners of the preference shares, have agreed to the adoption by Pentre of new Articles of Association under which (except on the occurrence of specified events, when the preference shares are liable to be redeemed immediately) the preference shares are not liable to be redeemed by Pentre until 1 April 1997. The events concerned are:

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- (i) the purchase of equity share capital in the Company resulting in the purchaser and any person acting in concert with him (ignoring for this purpose holders of Ordinary Shares in the Company on the day following the adoption by Pentre of the new Articles of Association) holding more than 50 per cent of the equity share capital of the Company;
  - (ii) without the prior written consent of the holders of 75 per cent of the preference shares, the variation of the rights attaching to the preference shares or the completion by any member of the Enlarged Group of an acquisition which constitutes a Super Class I transaction within the meaning of the Listing Rules of the London Stock Exchange;
  - (iii) the purchase, other than by another member of the Enlarged Group, of 20 per cent or more of the equity share capital of Pentre or Pentre Group Limited;
  - (iv) the dividend on the preference shares remaining unpaid for six months or the administrative receivership, administration or liquidation of the Company or Pentre.

Pentre may, however, redeem the preference shares, in whole or in part, at any time following the Acquisition on one month's notice. The board of the Enlarged Group will seek to exercise this option at the earliest practicable date.

Under the terms of the agreement with ECI referred to above, Thomas Locker undertakes with ECI that if all the preference shares have not been redeemed by Pentre by 1 April 1997, it will subscribe for additional shares in Pentre in order to allow Pentre to redeem the remaining preference shares on that date.

## 7. Premises

Summary details of Locker Group's principal establishments are set out below:

Location	Tenure	Term	Annual Rent	Area	Use
Church Street, Warrington	Freehold			15,000 sq. m.	Factory
	Freehold			1,200 sq. m.	Office
Folly Lane, Warrington	Leasehold	35 years from 24 June 1979	£126,500 1994 rent review pending	9,000 sq. m.	Factory and Office
	Leasehold	41 years from 25 December 1974	£130,000 1994 rent review pending		
South Africa	Freehold			3,850 sq. m.	Factory
	Freehold			500 sq. m.	Office
Australia	Freehold			6,300 sq. m.	Factory
	Freehold			1,800 sq. m.	Office
Belgium	Freehold			3,650 sq. m.	Factory
	Freehold			700 sq. m.	Office

Summary details of Pentre Group's principal establishments are set out below:

Location	Tenure	Term	Annual Rent	Area	Use
Neills Road, Bold, St Helens	Leasehold	15 years from 1 September 1989	£70,000 August 1995 review pending	50,000 sq. ft.	Factory
Brookfield Road, Arnold, Nottingham	Leasehold	4 years from 5 December 1992	£36,000	18,000 sq. ft.	Factory
Bonsall Street, Blackburn	Freehold			6,500 sq. ft.	Factory
Unit 2, Moss Industrial Estate, Leigh, Lancashire	Leasehold	125 years from 8 August 1986	£9,000 next rent review 2001	80,000 sq. ft.	Factory
Knowsley Industrial Estate South, Liverpool	Leasehold	125 years from 20 June 1986	Peppercom	35,000 sq. ft.	Factory
Halifax Road, Liversedge	Freehold			45,000 sq. ft.	Factory
Lamberhead Industrial Estate, Wigan	Freehold			60,000 sq. ft.	Factory
Tureby, Denmark	Freehold			50,000 sq. ft.	Factory
Haukipudas, Finland	Freehold			55,000 sq. ft.	Factory

The overseas premises of both Locker Group and Pentre Group are located at the registered offices of the companies as set out in paragraph 6 of this Part VII.

## 8. Working capital

The Directors and Proposed Directors are of the opinion that, taking into account existing bank and other facilities, following the Acquisition the Enlarged Group has sufficient working capital for its present requirements.

## 9. Material contracts

### (a) The Company

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company since 20 December 1993 and are, or may be, material:

- (i) An Agreement dated 21 April 1994 between (1) the Company and (2) Ibis (257) Limited ("Ibis") under which the Company agreed to sell the entire issued share capital of Associated Perforators & Weavers Limited ("APW") and APW Two Limited (formerly Locker Europe Limited) ("APW Two") in each case for the consideration of £1 payable in cash on completion. On completion of the Agreement the Purchaser procured that APW repaid to the Company £350,000 on account of the loan account indebtedness of APW to the Company as at 31 March 1994. The Agreement contained certain warranties on the part of the Company in favour of the Purchaser in connection with, inter alia, the business, assets and financial affairs of APW and APW Two. It also contained an undertaking on the part of the Company, inter alia, to pay any legal costs and expenses and liabilities that APW might incur in relation to certain legal proceedings, and any related future claims, against APW alleging copyright infringement and possible future claims which might be made against APW, should certain patent applications be granted, alleging patent infringement. The legal proceedings against APW were subsequently discontinued by consent. In addition, the Company gave an indemnity to the Purchaser in respect of taxation liabilities of APW and APW Two. The warranties, undertaking and indemnity were all subject to specified limitations. Pursuant to the Agreement, the Company also entered into agreements with APW governing the continuous supply to APW of services provided or obtained by the Company and the continued use by APW of certain equipment and computer programs owned by the Company or leased or licensed to it. Prior to the disposal of APW, the Company had agreed to grant formal leases to APW in respect of premises adjacent to premises occupied by the Company, at Church Street, Warrington owned by the Company and occupied by APW prior to completion of the disposal. The leases are at commercial rents and are for a term of five years but are subject to early termination by APW. The leases exclude the statutory protection afforded to tenants by Part II of the Landlord and Tenant Act 1954. Under the lease of the premises lying to the east of Ellison Street, the Company has granted APW the option on the expiry of the lease at the end of the term to purchase the freehold at the then market value.
- (ii) An Agreement dated 8 February 1995 between (1) the Company, (2) Ibis (then called APW (Holdings) Limited), (3) APW, (4) APW Two (then called Straightline Industries Limited) (5) C. M. Meade and (6) P. H. Ling pursuant to which APW paid £195,000 to the Company in settlement of the balance of its loan account indebtedness referred to in (i) above and, inter alia, Ibis confirmed that it had no claims or rights of action against the Company under the warranties to the Agreement referred to at (i) above.
- (iii) The Acquisition Agreement dated 20 December 1995 between (1) Philip Andrew Gartside, Michael Frederick Seymour, James Vincent Carr, Howard Wilson Platt, Alexander Ernest Watson, N. G. Scott and M. J. Fayle and ECI ("the Vendors") and (2) the Company whereby it was agreed that the Company would acquire the entire issued ordinary and preferred ordinary share capital of Pentre in consideration of the issue and allotment to the Vendors of 8,622,547 New Ordinary Shares and 25,867,641 New "A" Ordinary Shares credited as fully paid. The Acquisition Agreement is conditional upon (1) the passing at a general meeting of the Company of an ordinary resolution approving the Acquisition, increasing the authorised share capital of the Company from £3,000,000 to £5,000,000 by the creation of an additional 10,000,000 Ordinary

Shares and 30,000,000 "A" Ordinary Shares and authorising the allotment of 8,622,547 New Ordinary Shares and 25,867,641 New "A" Ordinary Shares pursuant to the Acquisition Agreement and (2) Admission.

The Acquisition Agreement contains warranties given by the Proposed Directors and Mr. H. W. Platt to the Company regarding Pentre Group and warranties given by the Company regarding Locker Group.

- (iv) An Agreement dated 20 December 1995 between (1) Thomas Locker and (2) ECI and (3) Philip Andrew Gartside and Michael Frederick Seymour, pursuant to which, conditional upon completion of the Acquisition, ECI has agreed to the adoption by Pentre of new Articles of Association, Thomas Locker has agreed to convene within three months of completion of the Acquisition the requisite meetings of shareholders to propose resolutions to enfranchise the "A" Ordinary Shares and subject to ECI remaining the owners of not less than 15 per cent of the equity share capital of Thomas Locker, to provide to ECI certain management information until the publication of the preliminary results of the Enlarged Group for the year ending 31 March 1997, ECI has agreed not to deal in its shares in Thomas Locker until at least six months after the cessation of the provision of this information and Thomas Locker has undertaken to ECI that if all the preference shares in Pentre have not been redeemed by 1 April 1997 it will subscribe for additional shares in Pentre in order to allow Pentre to redeem the remaining preference shares on that date.

**(b) Pentre**

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Pentre Group since 20 December 1993 and are, or may be, material:

- (i) An Agreement dated 15 July 1994 between (1) T. Siipola and other members of his family and (2) Pentre Group Limited pursuant to which Pentre Group Limited agreed to acquire 75 per cent of the issued share capital of Siipola OY for an initial consideration of FIM 4,200,000 as to which FIM 2,904,000 was payable on completion and a further sum of FIM 1,296,000 was payable on 15 January 1995, with provision for further consideration, to a maximum aggregate amount of FIM 5,000,000, in the event that the pre-depreciation pre-tax profits of Siipola OY during the period 1 July 1994 to 30 June 1999 exceed an average of FIM 1,500,000 in each year. The Agreement contained certain warranties and covenants on behalf of the vendors of the shares.
- (ii) An Agreement, dated 15 July 1994, between (1) T. Siipola and other members of his family and (2) Pentre Group Limited pursuant to which Pentre Group Limited was given the right to buy the remaining 25 per cent of the issued share capital of Siipola OY at a price of FIM 1,350,000, which option was subsequently exercised on 26 November 1995.
- (iii) An Agreement dated 4 August 1995 between (1) John Heywood and Vincent Johnson ("the Executive Vendors"), (2) the Trustees of various settlements, (3) the administrators of the estate of S. Havard deceased and (4) Pentre Group Limited under which Pentre Group Limited agreed to acquire the entire issued share capital of IR Holdings Limited. The consideration comprised three elements. At completion the sum of £2,365,451.25 was paid to the vendors, the sum of £200,000 was retained in a client account in the joint names of the solicitors acting for Pentre Group Limited and the vendors and the sum of £104,459.75 was deferred pending IR Holdings Limited and/or its subsidiaries

receiving the benefit of corporation tax reliefs against pension contributions and the advance corporation tax attributable to the consideration payable in respect of a purchase by IR Holdings Limited of its own shares. It has been agreed that the retained sum of £200,000 is to be divided as to £126,158 to be returned to Pentre Group Limited and the balance of £73,842 to be paid to the vendors. The Agreement contained certain warranties and covenants on the part of the Executive Vendors in connection with, *inter alia*, the business, liabilities, assets, tax and financial affairs of IR Holdings Limited and Industrial Reels Limited. The warranties and covenants were all subject to specified limitations. The Agreement also contained an indemnity against certain deficiencies in one of IR Holdings Limited's pension schemes.

- (iv) A Supplemental Subscription Agreement dated 4 August 1995 between (1) ECI, (2) Philip Andrew Gartside, Michael Frederick Seymour, James Vincent Carr and Howard Wilson Platt and (3) Pentre pursuant to which ECI agreed to subscribe for 813 new preferred ordinary shares of 10p each in the capital of Pentre at a premium of £399.90 per share and 1,674,800 redeemable preference shares of £1 in the share capital of Pentre at par to enable Pentre to finance the acquisition of IR Holdings Limited. The aggregate subscription price for the shares was £2 million. Under the Agreement ECI granted each of Philip Andrew Gartside and Michael Frederick Seymour the right to acquire 136 and 135 preferred ordinary shares from ECI respectively.
- (v) An Agreement dated 20 December 1995 between (1) ECI, (2) Philip Andrew Gartside, Michael Frederick Seymour, James Vincent Carr and Howard Wilson Platt and (3) Pentre, pursuant to which the parties have agreed, conditionally upon completion of the Acquisition Agreement, to release each other from the terms of a Subscription and Shareholders Agreement dated 10 March 1993 relating to Pentre and the Supplemental Subscription Agreement referred to in paragraph (b)(iv) above.

## 10. Taxation

The following paragraphs, which are intended as a general guide only, are based on current legislation and Inland Revenue practice and summarise advice received by the Directors as to the position of Thomas Locker shareholders who are resident in the United Kingdom for tax purposes.

Under current law, no tax will be withheld by the Company when it pays a dividend. However, when paying a dividend, Thomas Locker has to account to the Inland Revenue for Advance Corporation Tax ("ACT"). The amount of ACT will be equal to  $\frac{1}{4}$  of the dividend.

A company paying a dividend may elect for it to be treated as a Foreign Income Dividend ("FID"). If the company can demonstrate that the dividend was paid out of foreign source profits any surplus ACT attributable to the FID is repayable by the Inland Revenue.

The position of shareholders depends on whether the dividend is a FID or a normal dividend.

For a FID the position is that shareholders are treated as receiving income of a sum equal to the FID grossed up at the lower rate of income tax. Lower and basic rate taxpayers have no further liability to income tax. Higher rate taxpayers are liable to income tax at the difference between the higher and lower rates of income tax.



A shareholder in receipt of a FID is not, subject to certain limited qualifications, entitled to a tax credit under section 231(1) of the Income and Corporation Taxes Act 1988. There is therefore no entitlement to repayment of the tax which is deemed to have been paid.

For a normal dividend, a shareholder who is resident in the United Kingdom for tax purposes is entitled to a tax credit in respect of a cash dividend received. The quantum of the credit currently available equates to 20 per cent of the aggregate of the dividend declared and the ACT attaching to that dividend. An individual shareholder who is tax resident in the United Kingdom will be taxable on the aggregate of the dividend and the ACT attaching thereto. Individual shareholders paying only basic rate income tax will be taxed at a rate of 20 per cent on their UK dividend income. The tax credit attaching to the dividends will be creditable against the shareholder's tax liability and, to the extent that his total credits exceed the overall liability to income tax, the excess may be reclaimed from the Inland Revenue. Higher rate tax payers will suffer an additional tax liability on their dividend income.

A UK resident corporate shareholder will not generally be liable to UK corporation tax on either a FID or a normal dividend received.

Subject to certain exceptions for individuals who are Commonwealth citizens, citizens of the Republic of Ireland, residents of the Isle of Man or the Channel Islands and certain others, the right of a holder of a Thomas Locker Ordinary or "A" Ordinary Share who is not resident in the UK (for tax purposes) to claim any part of the tax credit will depend upon the existence and terms of any double tax treaty between the UK and the country in which that person is resident. Persons who are not resident in the UK should consult their own tax advisers concerning their tax liabilities (in the UK and any other country) on dividends received, whether they are entitled to claim any part of the tax credit and, if so, the procedure for doing so, and whether any double taxation relief is due in any country in which they are subject to tax.

The above paragraphs are a general guide only and are not exhaustive. Shareholders in any doubt as to their taxation position should consult an appropriate independent professional adviser without delay.

## **11. Litigation**

### **(a) The Company**

Air-Maze Corporation, an associated company of the Locker Group, has been named as defendant in litigation initiated by a contractor that performed environmental remedial services under a fixed price contract. The contractor seeks compensatory and punitive damages in amounts that are material to the financial position of Air-Maze Corporation. Air-Maze Corporation's attorneys are of the opinion that the claims are contrary to the terms of the contract. The Directors have been assured that Air-Maze Corporation intends vigorously to contest the claims and expects that the outcome of the litigation will not have a material adverse effect on its financial position. If, however Air-Maze Corporation suffers loss as a result of the litigation, the Locker Group's share of Air-Maze Corporation's profits may be reduced and the carrying value of its investment may need to be reassessed.

Save as disclosed in this paragraph (a), there are no legal or arbitration proceedings, and as far as the Company is aware, no such proceedings are pending or threatened, which may have, or have had in the last 12 months, a significant effect on Locker Group's financial position.

**(b) Pentre**

Meltech-Larmuth Limited is defending a claim from a customer which alleges supply of defective equipment and claims loss of profits in the order of £100,000. On the basis of expert evidence in support of its defence, Meltech-Larmuth Limited continues to resist the counterclaim. If the action is lost, it is estimated that the costs of each party (exclusive of VAT) would be in the region of £22,500.

Save as disclosed in this paragraph (b), there are no legal or arbitration proceedings, and as far as the Company is aware, no such proceedings are pending or threatened, which may have, or have had in the last 12 months, a significant effect on the financial position of Pentre and its subsidiaries.

**12. Consents**

- (a) Coopers & Lybrand have given and not withdrawn their written consent to the inclusion in this document of their report set out in Part III and their letter set out in Part V of this document and the references thereto and to the references to them and to their name, in the form and context in which they are included, and have authorised those parts of these Listing Particulars for the purposes of section 152(1)(e) of the FSA.
- (b) Solomon Hare have given and not withdrawn their written consent to the inclusion in this document of their report set out in Part IV of this document and the references thereto, and to the references to them and to their name, in the form and context in which they are included, and have authorised those parts of these Listing Particulars for the purposes of section 152(1)(e) of the FSA.
- (c) Henry Cooke has given and not withdrawn its written consent to the inclusion in this document of its letter set out in Part V of this document and the references thereto and to the references to it and to its name in the form and context in which they are included, and has authorised those parts of these Listing Particulars for the purposes of section 152(1)(e) of the FSA.

**13. General**

- (a) All the expenses relating to the Acquisition and Admission (which include stamp duty, Stock Exchange listing fees, printing and other expenses) are payable by the Company, and are estimated to amount to approximately £960,000 (excluding Value Added Tax).
- (b) The Company's registrars are Barclays Bank plc, Bourne House, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.
- (c) The financial information contained in Part II of this document does not constitute statutory accounts within the meaning of section 240 of the Act but constitutes non-statutory accounts within the meaning of that section. The information in respect of the three financial years ended 31 March 1995 has been derived from the statutory audited consolidated accounts of the Company for those years. Copies of these accounts have been delivered to the Registrar of Companies in England and Wales and the registered auditors of the Company have made reports under section 235 of the Act in respect of each such set of statutory consolidated accounts and each such report was an unqualified report and did not contain a statement under section 237(2) or (3) of the Act.

- (d) The consolidated accounts of the Company for the three years ended 31 March 1995 were audited jointly by Coopers & Lybrand, Chartered Accountants and Registered Auditors, Richmond House, 1 Rumford Place, Liverpool, L3 9QS and Tunstall & Co, Chartered Accountants and Registered Auditors, Arundel House, 12 Rylands Street, Warrington, WA1 1HR.
- (e) The financial information contained in Part III of this document with regard to Pentre is derived from but does not constitute statutory accounts as defined in section 240(5) of the Act. The accounts of Pentre for the three years ended 31 December 1994 have been audited by Voisey & Co., Chartered Accountants and Registered Auditors, Winmarleigh Street, Warrington, Cheshire WA1 1JW. Copies of these accounts have been delivered to the Registrar of Companies in England and Wales. The auditors gave unqualified audit reports in respect of such accounts which did not contain a statement under section 237(2) or (3) of the Act.
- (f) The financial information contained in Part IV of this document with regard to Industrial Reels is derived from but does not constitute statutory accounts as defined in section 240(5) of the Act. The accounts of Industrial Reels for the three years ended 31 March 1995 have been audited by Touche Ross & Co., Chartered Accountants and Registered Auditors, Abbey House, 74 Mosley Street, Manchester. Copies of these accounts have been delivered to the Registrar of Companies in England and Wales. The auditors gave unqualified audit reports in respect of such accounts which did not contain a statement under section 237(2) or (3) of the Act.
- (g) The total emoluments receivable by the executive Directors will not be varied as a result of the acquisition of Pentre. However, new executive directors will join the board of the Enlarged Group. Details of the executive directors' and Proposed Directors' emoluments are set out in paragraph 5(a) of this Part VII.
- (h) Save for the Acquisition there has been no significant change in the financial or trading position of Locker Group since 30 September 1995, the date to which the last published interim results of the Company have been prepared.
- (i) Save for the acquisition of the minority interest in its Finnish subsidiary, Pentre-Siipola OY, described in note 4 to Part VI of this document, there has been no significant change in the financial or trading position of Pentre Group since 30 September 1995, the date to which the last published audited consolidated accounts have been prepared.
- (j) The New Ordinary Shares and the New "A" Ordinary Shares will be in registered form and it is expected that share certificates will be issued on 10 January 1996. Neither the New Ordinary Shares nor the New "A" Ordinary Shares are being marketed nor are they available in whole or in part to the public in conjunction with the application for Admission.
- (k) Based on the prices extracted from the Daily Official List of the London Stock Exchange at close of business on 18 December 1995, the New Ordinary Shares and the New "A" Ordinary Shares to be issued pursuant to the Acquisition will be issued at a premium of 25p per New Ordinary Share and 14p per New "A" Ordinary Share. The shares will be issued credited as fully paid.

#### **14. Documents for inspection**

Copies of the following documents may be inspected at the offices of Henry Cooke Group plc at Piercy House, 7-9 Copthall Avenue, London EC2R 7EH during usual business hours on any week day (Saturdays and public holidays excepted) for a period of 14 days after the date of this document:

- (a) The Memorandum and Articles of Association of the Company and of Pentre.
- (b) The material contracts referred to in paragraph 9 of this Part VII.
- (c) The service contracts of the Directors and the Proposed Directors referred to in paragraph 5 of this Part VII.
- (d) The circular to shareholders of the Company relating to the Acquisition.
- (e) The report of Coopers & Lybrand reproduced in Part III and the statement of adjustments relating thereto.
- (f) The report of Solomon Hare reproduced in Part IV and the statement of adjustments relating thereto.
- (g) The audited consolidated accounts of the Company for the two financial years ended 31 March 1995 and the unaudited interim report for the six months ended 30 September 1995.
- (h) The audited consolidated accounts of Pentre for the two financial years ended 31 December 1994 and for the nine months ended 30 September 1995.
- (i) The audited consolidated accounts of Industrial Reels for the two financial years ended 31 March 1995.
- (j) The letters of consent from Henry Cooke, Coopers & Lybrand and Solomon Hare referred to in paragraph 12 of this Part VII.

20 December 1995



LONDON COPY

Slater Heelis  
SOLICITORS

Companies House  
75 Mosley Street  
Manchester

71 Princess Street  
Manchester M2 4HL  
England

Telephone 0161 228 3781  
Facsimile 0161 236 5282

Date  
20 December 1995

Your reference

Our reference  
I.820/40.JPO

Dear Sirs,

Thomas Locker (Holdings) p.l.c.  
Company No. 431900

We refer to our telephone conversation with you this morning.

We enclose for filing a copy of the Listing Particulars dated 20 December 1995 in relation to the above company. Kindly acknowledge safe receipt by returning to us the enclosed copy of this letter duly receipted.

We anticipate having a copy of the printed version (which will be identical to that enclosed with this letter) tomorrow which we will supply you with during the course of that day.

Yours truly,





# Slater Heelis

SOLICITORS

Companies House  
75 Mosley Street  
Manchester

71 Princess Street  
Manchester M2 4HL  
England

Telephone 0161 228 3781  
Facsimile 0161 236 5282

Date  
20 December 1995

Your reference

Our reference  
I.820/40.JPO

Dear Sirs,

Thomas Locker (Holdings) p.l.c.  
Company No. 431900

We refer to our telephone conversation with you this morning.

We enclose for filing a copy of the Listing Particulars dated 20 December 1995 in relation to the above company. Kindly acknowledge safe receipt by returning to us the enclosed copy of this letter duly receipted.

We anticipate having a copy of the printed version (which will be identical to that enclosed with this letter) tomorrow which we will supply you with during the course of that day.

Yours truly,

